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East Europe Report

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16 January 1986

EAST EUROPE REPORT

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AGRICULTURE

BULGARIA

FALL CROPS ENDANGERED BY DROUGHT; IRRIGATION URGED

Fall Irrigation Needs Outlined

Sofia KOOPERATIVNO SELO in Bulgarian 1 Nov 85 p 1

[Article: "Water for the Fall Crops!"]

[Text] The Task: By 20 November the nation must have 800,000 decares of fall crops irrigated. During the fall it is necessary that 1.2 million decares of land retain their moisture.

The Fulfillment: Work has begun well in the Plovdiv, Ruse, and Pazardzhik Okrugs. When will they begin to irrigate according to their capabilities in the Shumen, Yambol, Vidin, Mikhaylovgrad, and Pleven Okrugs?

Report From Silistra

Sofia KOOPERATIVNO SELO in Bulgarian 1 Nov 85 p 1

[Article: "Unceasing Labor"]

[Text] It is already November, but the intensiveness in the fields has not calmed down. Despite the extremely strong drought, the mechanized detachments have carried out their basic processing of more than 530,000 decares.

Securing fodder for the animals continues. By now 10,000 tons of cornstalks have been baled. Preparation of meal from tobacco stalks has begun. The agroindustrial complexes in Dulovo and Ishirkovo have already secured 160 tons of meal. The Dulovo workers are ahead.

The harvest of grapes is still going on. Auxiliary brigades composed of employees ...continue to harvest grapes in Aydimir and Kalipetrovo. The viticulturalists from the okrug will greet the 7th November with their plan fulfilled.

Irrigation Continues

Sofia KOOPERATIVNO SELO in Bulgarian 1 Nov 85 p 1

[Article: "The Irrigation Season Continues"]

[Text] The experience of farmers from the Plovdiv okrug categorically refutes the opinion that irrigating the grain carries risks. One fact: during this dry year in the okrug, a normal harvest of fall crops was obtained, thanks only to water.

Even during sowing, the leadership of the agroindustrial complexes noted concrete measures for making things ready to irrigate fall crops. The plans elaborated by the Okrug Agroindustrial Union and the Vodno Stopanstvo (SEP) showed that 100,000 decares of sowed crops were furnished with water. For the exchange of opinion, a demonstration of various ways of irrigation was organized. The advantages of sprinkling were pointed out, without excluding the other ways.

How did the work begin? Since the water sources, wells and scare water from the Maritsa, Stryama, Chaya, and Vucha, did not permit much, at the beginning efforts were extended across a broad front. By the middle of October, water was beginning to be sent to 2,500 decares. Now all the reserves have been tapped. No matter where you stop, you will see pulsing DDA 100M's, long-stream R-90 S's in action, as well as PDI 20 K Maritsas with their spraying installations...

The irrigation season continues! Only the sprinkling aggregates that were not maintained during the long summer battle had to be in the repair shop for a short time. Now they are again on the front lines, together with the machines that quickly irrigated peppers, turnips, and alfalfa. No one talks about rain, instead they rely on the possibilities of technology and the skills of the agricultural workers to be fully utilized to replace the rain.

At the Okrug Agroindustrial union they are now developing a new schedule for increasing the pace. There is no doubt that 100,000 decares of fall crops will be irrigated by 15 November!

Difficulties Outlined

Sofia KOOPERATIVNO SELO in Bulgarian 1 Nov 85 p 1

[Article: "Very Many Difficulties"]

[Text] There is no rain. The seeds do not sprout. There is only one way out: to irrigate. This is easy to say but difficult to carry out. Why? Since the middle of October specialists from the Vodno Stopanstvo (SEP) and agroindustrial complexes have been developing a daily schedule for irrigating wheat and barley. Here we should point out that irrigation takes place mainly through using water from the Danube, the reservoirs have dried up. But the Danube water can only go to part of the fall crops at agroindustrial complexes in Vidin, Bregovo, Dunavtsi, and the (LVK) in Novo Selo.

The farmers from the agroindustrial complex in Vidin have taken this task most to heart. And from the very beginning they have encountered extreme difficulties. The regimen for supply of electric power has not been maintained. Sometimes the current is on for 2 hours, at other times for five or six. Organization breaks down, the piping system is damaged, along with the pumping stations and installations. Today, for example, at the Kapitanovtsi 3 irrigation field, the main pressure pipe stopped working. For a long time the okrug leadership has been insisting that additional electric power be furnished. But even today this question has not been resolved.

I will point out another reason. The weather is cool. People do not want to irrigate because no matter how much they try to protect themselves they cannot keep dry. They need appropriate clothing.

I cannot pass over another fact in silence. The two leaders of the agroindustrial complex who cherish the hope that the rain will finally come are not alone. Valuable time is lost and machines are idle.

Will there be irrigation in the Vidin Okrug? There will be irrigation only if problems are resolved quickly. And there are so many of them.

Dealing With Weather

Sofia KOOPERATIVNO SELO in Bulgarian 1 Nov 85 p 1

[Text] The fall sowing is completed, but in most of the nation's rayons, the moisture in the soil is insufficient for the seeds to sprout appropriately.

That is also how it was last fall. Then only those with the most foresight irrigated certain areas for sprouting and obtained a good harvest from that sowing.

Guided by their own experience, people in the Plovdiv Okrug are not waiting for orders from above now, they are utilizing even the slightest possibility for irrigating the fall crops. Over 50,000 decares have already been irrigated, i.e., one third of the fall crops irrigated in the entire country. But the okrug's water sources are quite limited now. Not a drop of water is coming from great waterfalls, but the pumps at deep wells are working day and night, as are pumps at dammed-up places on even the smallest rivers.

This organization has been created at the Scientific Production Combine in Knezha, and more than 10,000 decares have already been irrigated. According to the estimate of the specialists from the National Agroindustrial Union, given the conditions this year in regard to the water balance in the nation, there is a real possibility for irrigating at least 800,000 decares of fall crops for sprouting. By 30 October around 150,000 decares had been. Is it really possible that the possibilities for the Mikhaylovgrad Okrug are 2,100 decares but for Vidin 1,700?! The Danube's water flows calmly to the sea, and in the okrugs around this river they do not use it. The lowest flow of the Maritsa is now over 20 cubic meters per second, but the agroindustrial complexes in the rayon are waiting for rain to help the fall crops to sprout.

It is the same in the river valleys of the Struma, Vit, Tundzha, and many others.

This is truly amazing, and there is no explanation for the inactivity!

There are workers now in the villages, the irrigation equipment is available, all we need is for the leadership of the Okrug Agroindustrial Union and the agroindustrial complexes to soberly evaluate the alarming conditions and create the necessary organization for utilizing all the possibilities for irrigation.

But these are not the summer months right now. The irrigators need appropriate clothing, to have warm food brought to the field, to have additional moral and material stimuli worked out in advance.

Right now we have to create the organization for using free-flowing water for maintaining moisture at long-standing planting areas, for alfalfa, in meadows, and pastures.

No matter what the precipitation will be during the winter and spring, the water deficit in 1986 will be a large one. This compels us to use each drop of water in the most careful way, to introduce structural changes in the crops in the irrigated areas, to obtain the maximal effect with the minimal use of water.

The caprices of nature continue to make difficulties for us. Our farmers have often demonstrated that they know how to deal with difficulties. This is how it should be now.

Alarming Situation For Potatoes

Sofia KOOPERATIVNO SELO in Bulgarian 1 Nov 85 p 1

[Text] The farmers at half of the agroindustrial complexes in the Blagoevgrad Okrug have already harvested potatoes. Despite the fact that work has been speeded up in recent days, there is still some production from the fields of the agroindustrial complexes in Razlog, Khadzhidimovo, and Gurmen. Can the drought be the only reason for this delay?

Dissatisfaction is also caused by the fact that one third of the harvested production is piled up in the farm yards. This produce should have long ago been delivered to the warehouses of the corresponding purchasing organizations. Is the drought to blame for this situation?

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ECONOMY

CZECHOSLOVAKIA

PRICING POLICY FOR NEXT FIVE-YEAR PLAN DISCUSSED

Prague HOSPODARSKE NOVINY in Czech No 38, 1985 pp 1,4

[Article by Eng Vlastimil Bouda, ScC, first deputy minister, Federal Price Bureau: "Prices in the New Five-Year Plan: Balance and Mutual Support of Economic Mechanisms"]

[Text] It is axiomatic that the tasks of every 5-year plan are more demanding than those of the preceding 5-year plan. That is a natural process. Production continues to progress, mutual economic relations are becoming increasingly complex. This follows from the very essence of the socialist social system. Continuous full employment and systematically rising total incomes (albeit differentiated between individual strata of the population) are the principle source for the growth of the material aspect of the living standard, for its upgrading in terms of the structure of the satisfaction of people's needs and thus, also for consolidation of social welfare of all citizens.

It suffices to go back 30 years, to 1954, which was the first whole year after the monetary reform of May 1953, i.e., already in current market relations. In 1954 the income of our population amounted to a total of Kcs 89.9 billion; before 1984 it increased to Kcs 403.7 billion, i.e., 349 percent, of which more than 75 percent were directed to the retail network and services. This growth of incomes may offer some idea of the complex task that must be resolved by our highest party and state authorities so that our production may meet such rapidly rising demands of our domestic market. For the sake of completeness I should like to mention that according to the observations of the Federal Bureau of Statistics, retail prices have risen over the same 30-year period by 17.9 percent, i.e., on the average less than 0.6 percent annually.

I want to offer these figures to give a closer idea of the logic of the directives for the Eighth 5-year Plan, which stipulate that our national income be increased by at least 3.5 percent, otherwise the tasks pertaining to the living standard cannot be fulfilled. Last year's achievements as well as the tasks of the plan for 1985, including its fulfillment in the first half of the year under adverse weather conditions early in the year, have confirmed

that this task is realistic. It is not only an economic necessity but above all an objective political task which confirms the well known thesis that politics is a condensed expression of economics.

The achievement of the stipulated semiannual increment of NI goes hand in hand with the requirement of the best possible economy with all material and energy resources and their most efficient utilization in the production of goods of top technical and economic parameters and quality. Expressed in economic figures, that means the greatest possible reduction of funds planned for the needs of organizations, and the highest possible rate of outputs and profitmaking. Prices play an important role in the fulfillment of those tasks.

Mutual Negation...

This involves finances, prices, material incentives, credits, interest rate of exchange, etc, as an important mechanism of planned national economic management. Complex economic conditions of the Seventh 5-year Plan confirmed convincingly the expedience of the application of direct mechanisms of management -- for example, volume limits on the consumption of selected resources -- as well as the importance of well-planned application of economic mechanisms and their interrelation. I see an absolutely indispensable method precisely in interrelations of economic mechanisms and their coordination resulting in the reinforcement of one mechanism by another and precluding any potential negation of positive objective by poorly planned measures in another area.

The directives for the Eighth 5-Year Plan stipulated minimum needs and a high rate of growth of outputs and profits. At present 23 to 28 percent of profits would suffice to cover such needs. What should be done with surplus assets? They cannot be left in economic organizations because -- as the managers of branches and departments as well as of the VNJ's [economic production units] and enterprises fully realize -- they would generate a negative effect due to efforts to use them for nonessentials in contradiction to the planned needs.

This problem may be further compounded by such measures as, for instance, the decision to leave depreciations to organizations, which is in direct contradiction to the tax on profits. Why? If the enterprise wants to earn one Kcs for itself, it must produce Kcs 4 in profits (with 75 percent tax). However, every Kcs 1 in depreciations is left entirely at the disposal of the enterprise, however, it creates additional full resources from depreciations, even though it does not make adequate use of capital assets and its coefficient of utilization is declining. Therefore, it is in order to question whether such an approach to depreciations is in agreement with the task of profits. The answer is clear: it is not, because profit is not only an important indicator of the level of management of the enterprise, but also a realistic financial resources of socialist society. Therefore, the interest in profit-making cannot be blunted by easier acquisition of funds, for example, by means of depreciations. This being the case, the Ministry of Finances could not ensure the planned balance between resources and needs in

any other way but by introducing in 1985 the so called supplemental payments to the state budget. However, such approaches do not help increase pressure on intensification and efficiency.

[Mutual Negation] ... Should Not Be Repeated

When stipulating the procedures for the Eighth 5-year Plan, it is therefore necessary to prevent a situation where the application of one mechanism may positively affect a specifically planned objective, but at the same time negate -- albeit inadvertently -- other market relations to the disadvantage of the comprehensive development of our national economy. When the State Planning Commission, the Federal Ministry of Finances, the Federal Price Bureau as well as the Czechoslovak State Bank and the Federal Ministry of Foreign Trade jointly assessed the efficiency of individual economic mechanisms, they reached the unqualified conclusion that in terms of national economy reduction of wholesale prices of finished products is the most effective mechanism which within the conditions stipulated by the Directive for the Eighth 5-Year Plan also fulfills the function of keeping the resources and the needs in balance.

Procedures in every other area must be subordinated to this conclusion. It may be presumed that after two unusual price explosions in the first half and toward the end of the 1970's the projected relatively stable price level of raw materials, fuels and power in world markets will contribute toward this end.

Why is it precisely the cut of wholesale prices of final products that is so decisive in the area of economic mechanisms in the Eighth 5-Year Plan? It is mainly because it is absolutely necessary to use prices to press for reduction of production costs, for more economical conversion of raw materials, supplies, fuels and energy into products of top technical and economic parameters, and for highly reliable operations and services; in simple words, to produce goods of the best quality, which are fully competitive in world markets.

We are a small country with highly developed industry, construction, agriculture and other branches of national economy. We earn more than one-third of our national income from foreign trade and this share will continue to increase. In the forefront is labor productivity -- not only labor value added, but also social productivity of labor (measured by production costs), including the volume of such values as production assets and supplies used in the process of replacement.

Moreover, reduction of wholesale prices will stimulate the natural needs of economic organizations to seek a solution to the needs of their subdivisions, such as planned accumulation of the economic incentive fund, a far more decisive focus on R&D, and accelerated renewal of the replacement process on a qualitatively higher technical and economic level. The imperative of high quality must always remain in the forefront of our efforts because it is the most comprehensive expression of all progressive values of the product. And precisely top quality of goods must earn countries such as ours their

reputation and trust in the world as well as a place in world markets for well-planned selected lines of products. By the same token, pressures of prices on production costs and quality must play an important role.

Priority must be given to every possible cost reduction which must not be burdened with other simplistic and unjustified interests. Here I refer, for instance, to contributions to social security.

In the next 5-year plan it will rise from 20 to 25 percent. The Federal Price Bureau has already approved it with certain reservations. Nonetheless, I want to go back to it. There is still time to think over carefully such a step from the viewpoint of national economy, and to analyze it. It is fallacious to think that by raising this contribution it will be easier to replace workers in the production process with technology by making manpower "more expensive." Detailed calculations made in this connection in the past have shown that higher costs of the contribution to social security will be included in the end in the cost of technology, and thus, negate the original intention. In our situation the 20 percent contribution is not low. In the USSR this contribution is under 15 percent and the share of wages payable per employee is lower than in our country.

If I recommend that the plan to raise the rate of this contribution be reconsidered, I proceed from the experience gained in a similar area of economic practice. When taxes on capital assets were introduced some years ago, it was emphasized that every enterprise should carefully weigh whether it would be able to purchase capital assets, and calculate whether it would be able to earn enough to pay any taxes at all.

Nevertheless, experience has shown that this -- otherwise logical -- precondition remained unfulfilled and therefore, this particular tax was revoked several years ago, although utilization of capital assets was generally declining. Would not a similar fate befall also higher social security rates that draw off resources for higher cuts of wholesale prices, which is on the whole more effective for our national economy?

The possibility of paring down production costs should always have preference before other measures. [Reduction of production costs] is the source for reduction of wholesale prices with every positive consequence in relation to foreign prices earned for exports (FOB prices), to the expansion of the space between wholesale and retail prices, to procurement prices in agriculture, to the exchange area for obtaining better value in world currencies for our Kcs, etc.

To Reduce Prices Gradually

The first small step was taken for the first year of the Eighth 5-Year Plan beginning on 1 January 1986. By an agreement with the State Planning Commission, a large amount of works at the conclusion of the 5-year plan was taken into consideration. The Presidium of the CPCZ Central Committee and the federal government approved cuts of wholesale prices by a total of Kcs 6.9 billion in selected branches, mainly engineering enterprises, including

electronics and high-current engineering. In terms of all of our national economy, it is a slight reduction, representing no more than 0.4 percent. Nevertheless, its positive aspect is the fact that goods designated for export from our entire national economy were cut by a full one percent.

In the Seventh 5-Year Plan foreign and domestic economic conditions demanded that the developing situation be resolved by adjustments of wholesale prices at their input in the process of replacement. The conceptual orientation of the Directive for the Eighth 5-year Plan makes possible continuous actualization of wholesale prices from 1986 through 1990, however, the approach is reversed in such a way that the overall level of wholesale prices is lowered in the output of the process of replacement. This situation remains unchanged by the fact that the projected growth of costs of procurement designed for our domestic production, envisaged in the Directive, will generate a similar reaction to such a development in wholesale prices as well, for example, by their proportional, gradual increase in individual years, without being projected in the prices of the subsequent production.

Continuous actualization should again proceed gradually in individual years. Apprehensions -- mainly of the administrative kind -- should be faced mainly by preparing at last plans in the new prices, as stipulated back in 1983 by the decision of our government. Price changes would be more effective and expeditious, because as a matter of fact the preparations and approval of the plans in the old prices and their subsequent conversion to the new prices delay their full economic impact by one year.

The approaches after 1986 depend to a major degree on the time when the projection of tasks stipulated by the Directive for the Eighth 5-year Plan is projected for specific 5-year plans for individual branches, their VNJ's and organizations. The approach to wholesale prices must be based above all on the approved plan for reduction of production costs and on the plan for profits. In mid-August there was a shortfall in the plans of the branches amounting to about Kcs 100 billion as compared with the task of the directive on profits; the stipulated 8.5 percent reduction of the share of material costs and the 7.1 percent reduction of total costs were only 70 to 75 percent fulfilled.

We proceed from the premise that we should first of all reexamine the level of wholesale prices of imported goods within central price control in relation to the prognosis of their price development during the Eighth 5-Year Plan, prepared by the Federal Ministry of Finances and the State Planning Commission. On that basis we should adjust wholesale prices so that that be most realistically on the level of the projected development and that they create only the unavoidable surplus for any unforeseen changes in the procurement costs of imports. This should be done as soon as possible; only then other works should follow.

In the first stage we shall focus on reduction of wholesale prices of subdeliveries and of the prices of finished products will follow from them. The deadline at which the State Planning Commission in particular will be able to complete the necessary documentation will determine the date when wholesale

prices may be adjusted further and in a more fundamental way. At present work is already under way on comprehensive value and structure transformation of wholesale prices of construction works whose new prices will be applicable in 1988.

We shall compare the procedure in the second half of the Eighth 5-year Plan accelerated fulfillment of economic policies of the CPCZ whose recent congresses and subsequent plenary sessions focused on the intensification of all production factors, an efficient development of our entire national economy, and on high quality of all work. The fulfillment [of these objectives] is the fundamental precondition for the achievement of the tasks stipulated for the semiannual growth of national income, without which the directives for the people's living standard cannot be met.

It is therefore absolutely imperative that the character of material incentives compel manager to

-- strive for the highest possible outputs desirable from the point of view of the consumer in our country and abroad, while keeping the inputs at a minimum;

-- systematically check whether the growth of labor value added goes hand in hand with concurrent reduction of material and capital consumption and on the other hand, whether the effect achieved in productivity is not cancelled by excessive and thus inefficient correlation and depreciation of values, particularly underutilized capital assets and supplies in the process of replacement;

-- keep in step with the development in the world in prognostic production programs whose cycles of innovation is systematically decreasing, while technical and economic parameters of new products continue to grow;

-- provide the basis for natural participation of the whole team of workers of the enterprise in advance planning for disclosure of unused assets which the workers know from their daily work, and inclusion of such resources in the plan.

Also with the actual fulfillment of the task specified by the plan.

New conditions for the further development of our national economy, outlined by the Directive for the Eighth 5-Year Plan, demand that we cut the wholesale prices of finished products in general by 3 to 5 percent in 1987-1990, as dictated by the demands of the rate of exchange aimed at consolidation of the value of our currency vis-a-vis world currencies, as well as by the demands of export efficiency calling for the achievement of the highest possible range between lower production costs and higher achieved FOB prices. Pricing experts on every level of management must focus their work more thoroughly above all on correlating production costs and FOB prices; from their position as well as through their superiors they must enforce systematic updating of the standards of material consumption and of the standards of consumption of labor value added, and in general, resume the use of time metering and chronometers. In their daily routine all workers, in

particular planners, constructors and technologists must go back to their calculations and systematically check all technical plans for the achieved economic effect.

From the very beginning the Set of Measures devoted considerable attention to effective material incentives offered to managers. In addition to daily managing operations -- from which they never can completely free themselves -- their proper stimulation for conceptual, long-term managing work was observed.

R&D is foremost in the development of the national economy. Managers must create for it a "green wave"; as new goods are being finished, planners, constructors and technologists must already plan new products. That does not concern only R&D which is not the objective of our production.

I could mention other issues, but I am focusing on these basic points of view. My question is whether the premiums method of material incentives to managers meets its purpose. In my opinion, it does not, as confirmed beyond any doubt by the fact that the economic plans submitted by our organizations, VNIIs and ministries owe so much to the tasks stipulated by the Directive for the Eighth 5-Year Plan, although the results actually achieved in 1984 and the fulfillment of the planned tasks for 1985 (despite serious unfavorable weather conditions early in the year) prove that the stipulated tasks are realistic. Some managers attributed the unsatisfactory standard of the submitted plans to the inadequate effect of the Set of Measures as a whole. In my view, such opinions are erroneous and I certainly do not share them. The Set of Measures has convincingly proved that we had chosen the right direction. Adjusted value added, on which the accumulation of wages payable "hangs," positively affects the reduction of the share of material costs in total outputs, and curtails the economically unjustified cooperation connected with needless and in terms of national economy, dangerous transfers of goods during their processing between organizations for the sole purpose of fulfilling gross industrial production.

Positive achievements are considerably more numerous, as shown beyond any doubt by processed analyses of efficiency of the Set of Measures, which were comprehensively assessed during the discussions; nevertheless, we must always bear in mind that the mechanism of planned management of national economy is a continuous process; it must be gradually adjusted and complemented according to the standard reached in the social development. The 14th CPCZ Congress stressed already in 1971 that the development and improvement of the planned management system must be a systematic process.

On the basis of this directive and of my own experience over the past five years -- 1981-1985 -- I should like to note that I see a weak spot in the Set of Measures in the method and contents of material incentives granted to managers, i.e., primarily directors and deputy directors -- regardless of their exact official titles -- from the general directorate through the VNIIs and enterprises to the factories.

The rewards of the managers still "hang" on the accumulation of funds from the point of view of the indicator of profitability of operational assets. This indicator may be expressed by a fraction whose coefficient is profit and denominator is the acquisition value of capital asset plus supplies. This is an important synthetic indicator which is nothing else but a reverse value of profitability of capital assets. Everybody can understand the importance of profitability in terms of efficiency of national economy. We should therefore stop and consider whether a more comprehensible term for this important indicator would not help attract more attention to it and thus, render the whole mechanism of planned national economic management more efficient.

Direct Correlation with Wages

Main directions for the further development of the Set of Measures after 1985 envisage single-item creation of funds for wages and rewards, which means cancellation of the accumulation of funds for the incentive wage factor based on profitability of operational assets. This amounted to approximately 20 percent of wages payable. In my opinion, the development in the past has justified it. I see the need for a fundamental change in the application of the fulfillment of planned profitability of operational assets, or returns on operational assets -- rather than accumulation of funds for the manager's rewards -- as the basis for the determination of the amount of rewards.

Every superior agency would always set the rate systematically, in a differentiated way, according to the situation in past years and to realistic projections for future prospects. The rates of payments to managers should continue to serve as a significant mechanism in the hands of superior organizations for each individual year; they should never be set mandatorily for the entire 5-year plan. For instance, thus far the reward has been set at 30 percent; if five mandatory indicators are stipulated, then it gets cut one-fifth for each of the unfulfilled indicators.

In terms of national economy it would be undoubtedly more efficient -- albeit essentially more demanding for the managers -- if the rewards were stipulated in percent of the basic salary for each percent of improvements, for example, of returns on operational assets in the previous year. This rate would be announced at the same time with the stipulation of the main tasks for the plan for next year. If the managers wish to earn the same rewards as in the past year, they would have to analyze carefully how to fulfill the indicators.

The above-mentioned returns represent the sum of the acquisition value of capital asset plus supplies, divided by profits. The main methods of the fulfillment of the indicators would necessarily encourage better utilization of capital assets and eliminate assets which are not indispensable for the process of replacement, which tie up financial resources, spare parts, etc., may be useful somewhere else. The same goes for supplies. What about profits? Our efforts must be focused in particular on profits. How to raise them? By cost-cutting and especially by upgrading the standard of technical-economic parameters reflected in the overall quality of goods with top service properties -- reliability, service life, maintenance, etc -- simply, by focusing on R&D and accelerating the cycle of innovation, without enforcing

them so much from above, as it still happens in most cases. The effort for more efficient cooperation between production and foreign trade would be stepped up and the cuts of rewards based on the fulfillment of mandatory indicators would remain the same as now.

Only for approximation I should like to offer the following example: The [period] of returns is 5 years; it is realistic to demand reductions by one half for the 5-year plan, which means on the average 10 percent annually. In that case the general directorate would be informed in the first year that its rate of rewards is set at 3 percent of the basic salary per every 5 percent of accelerated returns on operational assets as compared with actual achievements in the last closed year (in order to offer basic rewards amounting to 30 percent when the directives for the annual plan are fulfilled).

Our experience from the conceptual experiment in four VHJs since 1972 has confirmed that it is important to tie the fulfillment of this indicator to the values incorporated in the plan. That is necessary in particular for systematic interrelation of supplier-consumer relations in the plan. It is therefore desirable to stipulate for this indicator (one of several indicators of the plan) a latitude for its fulfillment, for example, from 98 percent to 102 percent (as in the above-mentioned conceptual experiment which proved successful). So long as the fulfillment of the indicator, for instance, of the above-mentioned returnability, is in the 98 - 102 percent range of the plan, the basic reward is paid in full -- before discount for any of the unfulfilled indicators. If the fulfillment of the indicator of returnability is above 102 percent of the plan, only one half of the basic reward is paid; if it is under 98 percent of the plan, then basic rewards are completely forfeited.

The latitude of the above-mentioned, for example, 4 percent is especially important in this method of rewards granted to managers, because it motivates them to seek as many opportunities as possible and to prepare the highest possible plan without risking the loss of the reward if only 99.9 percent are fulfilled. By the same token, it fulfills an important task in counterplanning as well. It is in the manager's own interest to motivate their team of workers to disclose unused assets of which they know and to use them for the fulfillment of the plan.

There is no doubt that the advantage of this method of rewards to managers would be that, instead of explaining why the required tasks cannot be included in the plan, the managers' knowledge and skills would be focused primarily internally -- within the VHJs, enterprises and plans -- on earning the same rewards as in the past.

One may ask: why do I mention here certain suggestions although they have already been determined in certain documents or at least, the method has been outlined; at the same time, the beginning of the 5-year plan is fast approaching. Nevertheless, life itself has confirmed that the mechanism of

planned management of national economy is really a process. Many suggestions must always be thoroughly assessed, including the deadline when they should be put in operation, albeit on an experimental basis.

At the 15th session of the CPCZ Central Committee Comrade Gustav Husak emphasized that instant solutions to every problem are not always at hand, but that there are many solutions which could, and must, be applied more expeditiously and vigorously. This concerns in particular better utilization of the current production and R&D potential, better processing and more economical use of capital assets, fuels, energy, raw materials, supplies, stockpiles, work time and worker's skills. In all these directions more demands must be made on every workers, especially on the style and methods of managerial work along the entire axis of management. There is a whole gamut of requirements on further improvement of quality of central management and planning operations and more efficient application of economic mechanisms and market relations, comprehensive solutions of the position and tasks of individual levels of management, upgrading of the management and decision-making skills with understanding of the issues involved.

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ECONOMY

GERMAN DEMOCRATIC REPUBLIC

FRG DOCUMENT STUDIES GDR REVALUATION OF FIXED ASSETS

West Berlin FS ANALYSEN in German No 4 (signed to press Dec 84) pp 1-53

[Article by Kurt Erdmann of the (West Berlin) Research Institute for Inner-German Economic and Social Issues. Original title: "The Revaluation of Fixed Assets in the GDR"]

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Summary

The Revaluation of Fixed Assets in the GDR

On 22 November 1984, during the ninth conference of the Central Committee of the SED, General Secretary Honecker mentioned in his statement of accounts that, among other things, "existing basic means of production will be revalued according to prices effective from 1986 onwards." In the GDR the term "basic means of production" is used for fixed assets excluding land.

Such a move entails a centrally directed program of valuation throughout the GDR economy, comprising all machines, plants and buildings. Their value is to be calculated according to reprocurment prices on a uniform price basis. Problems in this area will arise due to the valuing methods used in the GDR. Machines, plant and buildings are balanced according to their gross value, the price obtaining at the time of acquisition including certain following costs. Higher reprocurment costs are not taken into consideration.

The only previous revaluation of fixed assets took place in the first half of the 1960's, in the course of the industrial price reform of that time. In spring 1984 the GDR Statistical Pocket Book contained for the first time a figure for the average fixed asset stock of the economy according to the 1980 price basis and not the 1966 one. This led to a 45-percent increase in average fixed asset value.

In the 1970's and early 1980's the GDR economic leadership had made several attempts at revaluation. The great difficulties and complications associated with revaluation forced them to back off, the great price distortions notwithstanding.

Fresh information concerning a publication of fixed asset values is lacking. The officially announced intention of publishing a new depreciation index in 1984 is barely thinkable without the participation of combines and enterprises. However, its publication is being delayed. The new official announcement of a fixed asset revaluation "according to 1986 prices" defines the activity up till now as a phase of preparation which could be followed by a more precise comprehensive revaluation in the middle 1980's. Twenty years ago the revaluation took place in connection with an industrial price reform. There are at present no signs of the same thing occurring again.

1. Problem

1. Announcement of a Revaluation of Fixed Assets

In the statement of accounts he delivered at the ninth conference of the SED Central Committee on 22 November 1984, General Secretary Honecker expounded new economic policy guidelines as well as principles of investment policy; in this connection, he stressed the need for increased rationalization investment. "Experience has shown that the most economical investments are those that serve to modernize basic assets."¹

Regarding the statement following this observation, a preliminary remark is called for. Previously, Honecker had made reference to various resolutions adopted by the SED Politburo in connection with the 1986/1990 five-year plan period. In this context, the statement following the above-quoted remarks on investment problems assumes special significance: "Along these lines, we have taken various measures concerning economic accounting, and the existing basic means of production will be revalued according to the prices effective from 1986 onwards."²

The technical term for a new valuation of the basic means of production, the fixed assets or capital stock of combines and enterprises in the GDR is "revaluation." The 1984 edition of "Woerterbuch der Oekonomie. Sozialismus" [Dictionary of Economics. Socialism] states on this subject: "Revision of the fixed assets' gross and net value with the object of effecting a uniform valuation of fixed assets equal in function and capacity and a correct ad valorem reflection of their utility."³ Even before the above-quoted terse announcement at the ninth conference of the SED Central Committee, changes in GDR statistics had indicated an overall reorientation toward adjustment of fixed asset values.

2. Value Revision in GDR Statistics

The 1984 edition of the GDR Statistical Pocket Book marked a significant change: for the first time in about 20 years, the GDR published the value of its foreign asset stock (machines, installations and buildings, excluding land) according to the 1980 price basis instead of the 1966 basis used so far.⁴ An overall statistical changeover to valuation according to the 1980 price basis had been effected 2 years before. The GDR media and trade journals never presented any detailed reports—or even references—concerning the revaluation of fixed assets. In principle, the presentation of new fixed asset values in GDR statistics could be interpreted as the result of an internal, unpublicized revaluation of fixed assets; this is unlikely, however, since the prerequisite conditions did not obtain. Similarly, the figure that Guenter Mittag, the SED Politburo's economic expert, cited at the GDR Economic Conference in the fall of 1983 in regard to fixed asset stock growth per gainfully employed person in 1982⁵ is not indicative of any changes in valuation of fixed assets in the GDR.⁶ In connection with the revision of GDR statistics, the announcement at the ninth conference of the SED Central Committee—1 year after the 1983 GDR Economic Conference—can be interpreted in various ways.

3. Increased Intensification Through Improved Valuation

In the policy statement he delivered at the SED's 1983 Economic Conference, Politburo member Guenter Mittag demanded—in connection with the 10 main points of the "Economic Strategy for the 1980's" adopted by the 10th SED Congress (1980)—"to take new measures toward the transition to a /comprehensive/ [*italics by the author*] intensification";⁷ subsequently, he emphatically called these measures "qualitatively new steps."⁸ The GDR has been using the concept of "intensification" for more than a decade, not just since the late 1970's. As early as 1971, at the Eighth SED Congress, Honecker had defined the term:

"In plain terms, intensification of production means that we increase output by modernizing and more efficiently utilizing the available production plants and buildings, by producing more with the same number of workers."⁹

Essentially, this general formula is comparable to the definition of the socialist thrift principle of the 1930's: "The thrift principle is that method of socialist management that aims to produce the best results with the least expenditure."¹⁰

Since the first half of the 1970's, the GDR Government's economists had been experimenting with a number of ways of improving the economic system. The post-1978 period in particular was characterized by great activity in regard to economic policy;¹¹ among other things, the government increased the transparency of both economic and operational accounting so as to improve overall efficiency.

In the 1982 edition of the GDR Statistical Pocket Book, the government for the first time published statistical data on key economic indicators—such as national income and investments—according to the new 1980 price basis. Comparison with the—hitherto prevailing—1975 price basis made it possible to determine the extent of the price revision changes from 1976 to 1980 as well as their consequences for the 1980's, above all a 10-percent drop in the ratio of national income to production expenditure.¹²

The changeover to the 1980 price basis did not include the value of the GDR's "fixed asset stock," i.e. the value of machines, plants and buildings (excluding land). Similarly, statistical revisions undertaken previously—since the late 1960's—had not included the 1966 price basis for the fixed asset stock, all the increased difficulties and inconsistencies notwithstanding. Thus, as regards their significance, the changes made now after 20 years (changes published in the 1984 editions of the Statistical Pocket Book and the GDR Statistical Yearbook) in regard to valuation of the average fixed asset stock according to the 1980 price basis instead of that of 1966 are in accordance with the "qualitative new steps" Mittag mentioned in 1983 in connection with improvement of economic transparency as a condition prerequisite to economic intensification.

II. Fundamentals

1. Definition of Fixed Assets and Fixed Asset Accounting

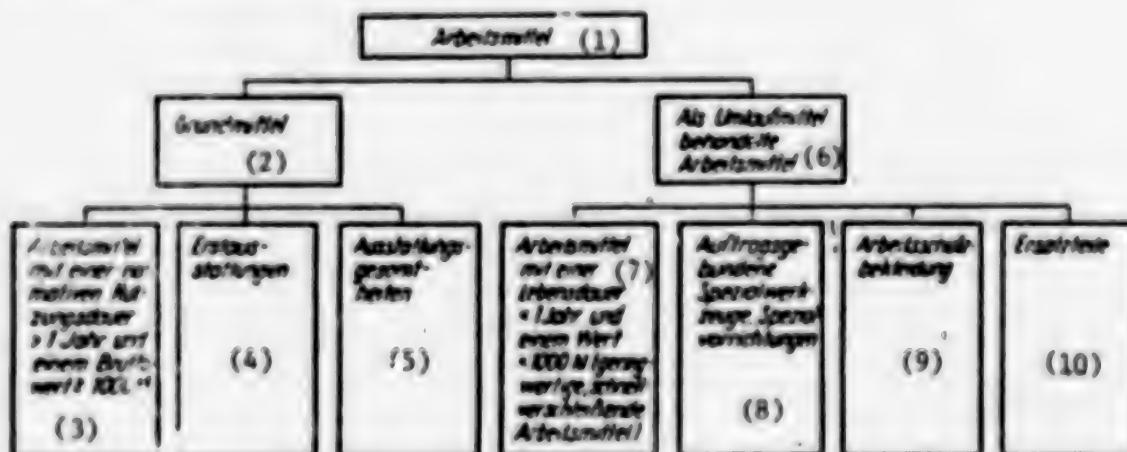
With reference to the current regulations on statistics and accounting, Matteredne and Tannhaeuser, two of the GDR's top experts in this field, offer the following definition:

"Fixed assets are means of production whose service life exceeds 1 year; their procurement price justifies entry as assets and successive depreciation and their procurement requires investments."¹³

According to Article 12 of the current Regulations on Accounting and Statistics (1975), the gross value must exceed 1,000 marks.¹⁴ Certain provisions specify the capital goods that are considered "fixed assets" as well as those that are not.¹⁵

The following graph illustrates the relation of means of production to fixed assets.

Graph. Classification of Means of Production¹⁶



Key:

1. Means of production
2. Fixed assets
3. Means of production with a service life > one year and a gross value $\geq 1,000$ marks
4. Initial equipment
5. Equipment systems
6. Means of production considered as current assets
7. Means of production with a service life < one year and value < 1,000 marks
8. Special tools and equipment
9. Protective clothes
10. Spare parts

The combine's (or combine enterprise's) fixed asset management comprises the following key utilization criteria: Maintenance, modernization, equipment retirement, replacement, and expansion--the extent of which is crucially influenced by fixed asset valuation.

In principle, fixed asset valuation in the planning process (planning, plan implementation, balancing) is effected according to the gross value, and normally this is the procurement price. Valuation according to the reprocurement price is the exception. To a large extent, the makeup of the respective procurement price, which appears in the balance sheet as gross value, is subject to specific regulations.¹⁷ Among other things, these regulations determine what costs are part of the fixed asset procurement price (e.g., costs of assembly, investment preparation, test runs, etc.) and what expenditures cannot by any means be included (e.g., additional investment costs, land use fees, start-up charges, etc.). In a VEB's [state-owned enterprise] annual balance sheet, fixed assets appear as a three-part entry on the assets side: gross value minus wear equals net value. The net value constitutes the fixed capital fund on the balance sheet's liabilities side. In the pertinent GDR literature, the significance of a particular fixed asset valuation, its "key role"--in operational as well as economic terms--is frequently pointed out.¹⁸

"Correct or incorrect valuation is reflected--via the depreciation rate regulated thereby--not only in the costs, but also in the total volume of economic resources, national income and national property and in the calculation of the total social product, of national income and its constituents."¹⁹

Matterne and Tannhaeuser take exception to a frequently very inaccurate valuation ("nothing but rough estimates")²⁰ in connection with the assetizing of capital goods, above all in regard to investment projects whose completion is protracted and thus exceeds 1 plan year.

As regards the pros and cons of the various "types of valuation" (gross or net value, procurement or reprocurement price),²¹ the difficulties posed by fluctuating reprocurement prices necessitate--from the GDR's point of view--uniform (gross) valuation according to the procurement price. This approach is supported by a number of official, expediency-oriented arguments that stress the ease of implementation of "uniform" valuation in the accounting and statistics sector and in the necessary fixed asset calculation including fixed asset reporting (e.g., stock, level, utilization).

A key argument is the "mandatory" straight-line depreciation procedure in GDR industry.²² Aside from a few exceptions, this is the simple principle of applying the same gross value depreciation rates each year. Furthermore, the gross value of the enterprises' fixed assets forms the basis for calculating the important production fund utilization tax--which for the GDR is an advance deduction from gross profit, while from the Western point of view it can be considered interest or tax on capital.²³ The necessity to effect valuation according to a plan price that in the plan calculations remains unchanged over several years (e.g., for an entire five-year plan period) is another GDR argument in favor of gross value.

The fourth supplement (1977) to the official depreciation index of the Central State Administration for Statistics contains a chapter—entitled "Valuation of Fixed Assets"—which lays down the "objective of valuation": "...as accurately as possible to reflect—as part of the total social expenditures—all of the material and economic processes of fixed asset expenditure that are connected with the social reproduction process."²⁴ According to this chapter, the "crucial significance" of the gross value derives from the following criteria:

- "—Assessment basis for the amortizations;
- planning basis for investments, repairs and retirement of equipment;
- assessment basis for indices concerning fixed asset development, condition, economy, and rate of utilization;
- reference basis for the production fund utilization tax;
- indicator of the fixed assets' production capacity."²⁵

2. Principles of Depreciation

The service life of machines or plants is prescribed to the combines and enterprises as a "state norm" and is specified in the provisions of the "Index and List of Fixed Asset Depreciation Rates"²⁶—an extensive list that lays down (in addition to the nomenclature and registration numbers in accordance with the fixed asset classification) the service life norm (in years), the prescribed rate of shift utilization and the straight-line depreciation rate (in %; see illustrations). In the event of deviations from the shift utilization rate, the regulations stipulate conversions.

The assets named here include not only machines, plants and buildings, but also bridges, streets, etc. (see illustrations).

In principle, the planned service life—and thus also the rate of annual depreciation—had so far been based on the valuation of physical wear. The so-called moral wear, i.e., technical obsolescence, generally had not been taken into consideration. Only in exceptional cases (e.g., unusual weather conditions) had special depreciations been permitted.²⁷

Illustration. Excerpt (p 223) from: "Alphabetical List of Fixed Asset Depreciation"

26. Page 223

Led

Description of the Fixed Assets	Registration No	NND (years)	Shift Utilization Rate	Depreciation Rate (%)
--Imitation leather, floor covering and foils, machines and equipment for the production of--				
--Furs, machines and equipment for the production of--				
Leather, machines and equipment for the production of--				
Water yard, machines of the--				
Daubing equipment	461 113	10	2	10
Bandknife splitting machine	461 117	10	2	10
Debristling, unhairing and coating machines	461 114			
Debristling machines		8	2	13
Unhairing and coating machines		12	2	8
Fleshing machines	461 115	10	2	10
Degreasing machines	461 116	8	2	13
Splitting machines	461 118	8	2	13
Other water yard equipment	461 119			
Soaking, liming and puering wheels	461 112			
--Hardwood		13	2	8
--Softwood		10	2	10
Soaking and liming tumblers	461 111	8	2	13
Tanning and wet process, machines and equipment				
Drying and breaking machines	461 123	13	2	8
Samming machines		25	2	4
Whitening machines	461 126	20	2	5
Shaving machines	461 124			
Wet-shaving machines		12	2	8
Dry-shaving machines		16	2	6.3
Tanning and dyeing tumblers	461 121			
--Hardwood		13	2	8
--Softwood		10	2	10
Tanning and dyeing wheels	461 122			
--Hardwood		13	2	8
--Softwood		10	2	10

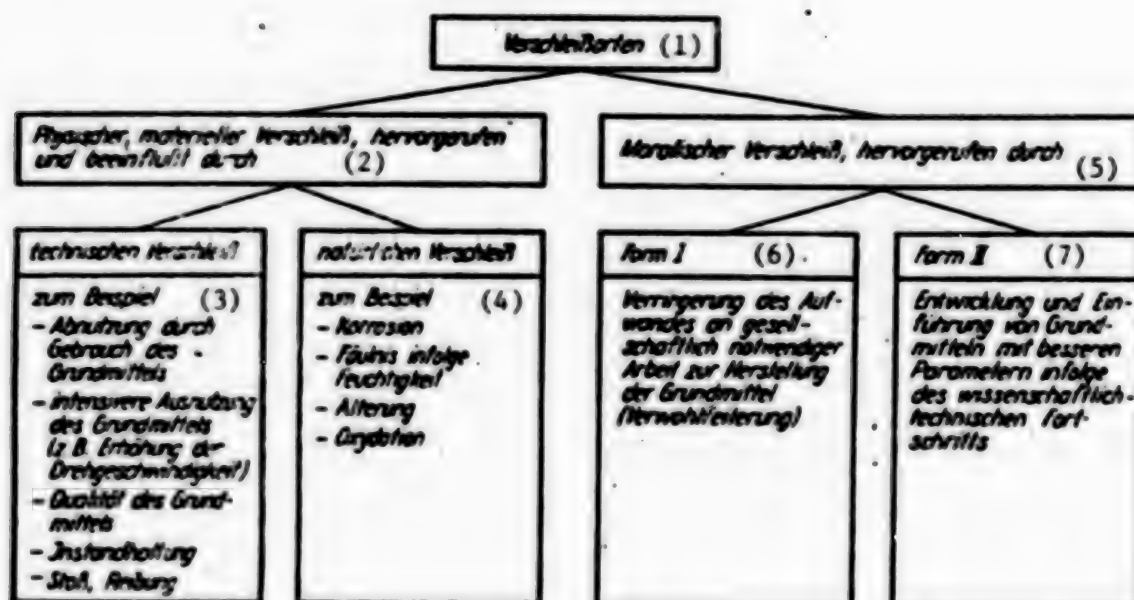
Illustration. Excerpt (p 545) from: "Alphabetical List of Fixed Asset Depreciation"

10. Page 545

Str

Description of the Fixed Assets	Registration No	NND (years)	Depreciation Rate (%)
Streets and squares for light traffic			
--macadam, surfaced	161 107	20	5
--macadam, unsurfaced	161 103	20	5
Streets and squares for medium and heavy traffic			
--with concrete pavement	161 204	50	2
--with cobblestone pavement	161 203	40	2.5
--with asphalt and blacktop covers	161 207		
--with asphalt		40	2.5
--with blacktop		30	3.2
--streets with flagstone pavement	161 208	10	10
Channeling structures	177 60	60	1.6
--for waterways		not subject to depreciation	
Retaining walls	163 20	80	1.3
Retaining and quay walls on public streets, in			
Cities, made of			
--natural stones	161 972	80	1.3
--cast stones	161 973	80	1.3
--concrete	161 974	80	1.3
Municipalities, made of			
--natural stones	161 982	80	1.3
--cast stones	161 983	80	1.3
--concrete	161 984	80	1.3
Districts, made of			
--natural stones	161 992	80	1.3
--cast stones	161 993	80	1.3
--concrete	161 994	80	1.3
Tanks, installations for--			
Solid structures for floor tanks	157 50	80	1.3
Open frames for upright and floor tanks	157 30	60	1.6
Other tanks and containers	157 90	incorporate	
Containers for storing corrosive substances			
Underground tanks		4	25
Ferroconcrete		20	5
Grouted		10	10

Graph. Outline of Types of Wear²⁸



Key:

1. Types of wear
2. Physical wear produced by
3. Technical wear--e.g., wear by use; more intensive utilization; quality of the fixed asset; maintenance; shock or friction
4. Natural wear--e.g., corrosion; rot caused by dampness; ageing; oxydation
5. Obsolescence produced by
6. Type 1--decrease of expenditure of socially necessary work for the production of fixed assets
7. Type 2--development and introduction of fixed assets with better parameters resulting from scientific-technological progress

The 1983 "Decree Concerning Review and Revision of the Service Life Norms and Depreciation Rates for Fixed Assets"²⁹ represents an attempt by the GDR's economic planners in the coming years to "stretch" by up to 30 percent--and thus considerably to extend--the service life of a number of goods. At the same time, the government announced new depreciation norms for the first quarter of 1984,³⁰ which were to replace the 1968 index. Publication of this special issue of GDR GESETZBLATT [Legal Gazette] No 1124 has been delayed. "For technical reasons," it has been "postponed to some time in the fourth quarter of 1984."³¹

III. History

1. The Revaluation of Fixed Assets in the 1960's

Aside from the industrial price reform and the improved price regulations, the "Guidelines for the New Economic System of Planning and Management" [NOeS] stresses the significance of the "revaluation of fixed assets" and of the introduction of new "economically substantiated depreciation norms" as prerequisites for "profit to be effective"³² and thus for the success of the reform project. "After the revaluation of fixed assets, the state-owned sector's fixed asset reprocurment values—including current assets—will amount to approximately 200 billion marks."³³ According to the 1963 NOeS Guidelines, this figure illustrates the revaluation's importance for an "improved utilization of fixed assets; the revaluation of fixed asset creates the foundation for exercising economic control."³⁴

In the 1950's and early 1960's, uniform revaluation of fixed assets had been discussed in a number of CEMA countries. In early 1961, the USSR took a fixed asset inventory and carried out a revaluation according to the price basis of 1 January 1960. This move was remarkable in that it followed a number of partial revaluations³⁵ and represented the first uniform—and thus actually overdue—valuation of fixed assets in the history of the Soviet Union.³⁶ The key objective was the uniform valuation of the national economy's entire stock of fixed assets.

In the GDR, fixed assets had formerly been balanced according to diverse price bases. Some of the older buildings were balanced according to the 1913 price basis (plus 60 percent); others, according to the prices obtaining in 1944.³⁷

In the opening balance sheets³⁸ for the state-owned enterprises (VEB) in the then Soviet zone of occupation (which were meant to be a "preliminary step toward the regular use of accounting elements as control levers for the fulfillment of state plans"³⁹ in the GDR), the buildings and basic assets were valued and balanced—in accordance with a decree concerning VEB financial management⁴⁰ as of 1 July 1948—not according to the reprocurment price obtaining at that time, but according to the "legal reprocurment price or cost price based on the prices obtaining in 1944. The values entered for older machines and buildings of the pre-1945 period differed from those of technologically comparable machines and buildings bought in recent years."⁴¹

A 1959 textbook—"Economics of Socialist Industry"—singles out the reasons underlying this valuation: "It was necessary, since on account of their arbitrariness the book values of the formerly capitalist enterprises were not acceptable for the VEBs' financial plans. Consequently, many buildings, machines, and plants showed in the balance sheets only in the form of so-called reminder items valued at 1 reichsmark [old German mark]. Without revaluation of these falsely assessed capital goods, accurate planning and control of the reproduction of assets subject to wear would have been impossible, or else would have required continuing complex calculations."⁴²

Although a basic revaluation was called for—what with the various "price regulations" in subsequent years—the government merely undertook value conversions based on a "value index."⁴³ All these shortcomings had a "very negative effect on the national economy";⁴⁴ the depreciation rates prescribed to the enterprises were too low; the prime cost figures shown were "false," and the VEBs' efficiency was miscalculated. Most importantly, as a result of lower depreciation rates, the prime costs of turning out a particular product were lower in older plants than in modern, more expensive ones. Illustrating this situation, several GDR publications have mentioned the divergent depreciation rates per ton of superphosphate in three chemical enterprises employing an essentially identical process:

1. In technologically modern enterprises: 8.34 MDN [mark of the Deutsche Notenbank [German Bank of Issue]] per ton
2. In older enterprises: 3.64 or even 2.68 MDN per ton⁴⁵

According to the authors, this had produced the impression that the modern enterprise was operating less efficiently.⁴⁶ Another important point was that without revaluation the assessment of the effectiveness of certain investment projects was bound to be false or unsatisfactory; similarly, the introduction of a production fund utilization tax (PFA)—which had already been announced in connection with the New Economic System—was not feasible without a more uniform valuation of fixed assets.

On this subject, an article published in 1963 in the periodical EINHEIT stated: "Thus the utility of a number of qualitative, technical-economic indices concerning management and the assessment of the enterprises' operations has so far been...quite limited";⁴⁷ according to the authors, the enterprises "have not been overly interested in making do with a minimum of working capital or in finding new ways of using the assets entrusted to them as economically as possible."⁴⁸

According to the GDR economists, the "main shortcomings" of the pre-revaluation period (shortcomings encountered even today) were the following:

- "a) In the entire national economy, there was a lack of accurate data concerning the actual stock of fixed assets. The figures shown for the stock of older basic assets were too low, as were the depreciation rates. Consequently, there were no acceptable data for the scientific planning of fixed asset development and maintenance.
- b) Since in consequence of the fixed asset misvaluation the amortizations were not in keeping with wear-and-tear values, the prime cost figures, too, were incorrect, i.e., too low. Being a pricing factor, the amortizations led to false pricing. Moreover, the depreciation fund no longer ensured simple reproduction.
- c) The misstatement of prime costs was bound up with the misstatement of operational profit and of the net efficiency and profitability of the basic assets used in the enterprises. Consequently, there was not enough economic incentive for improving fixed asset utilization. In the new economic system, profit could not perform its proper function.

Essential time and work comparisons were rendered much more difficult. For example, operational comparison between two enterprises whose fixed asset values were based on the old and the current prices, respectively, would yield misleading figures in regard to prime costs, fixed asset utilization and labor productivity."⁴⁹

The revaluation was carried out in three stages: The preparatory phase, the phase of implementation, and a checking period subsequent to completion.

The special "Resolution Concerning Preparations for the Revaluation of Fixed Assets" of 21 December 1961⁵⁰ set the target date (30 June 1963), the scope of application and general guidelines. The work was carried out by a special "Government Commission for Fixed Asset Revaluation" and a special Government Commission office headed by H. Frase.⁵¹ The revaluation took place in stages. After the state-owned industry, there followed the cooperative, semistate, and private enterprises.⁵² The housing sector was not included. Determination of the reprocurment prices of machines and equipment as of 1 January 1961 and establishment of service life norms in a number of special enterprise catalogs proved extremely expensive and difficult, as did establishment of "valuation indices for buildings and structures" (per cubic meter of enclosed space) on the basis of fixed construction work prices as of 1 January 1958.⁵³ For various reasons, there were major delays.⁵⁴ With an eye to another revaluation in the mid-1980's, the work carried out during the period from 1961 to 1964 can be outlined as follows:

- 1) Definition and/or determination of the inventory items and their classification in fixed asset groups.
- 2) Taking an inventory (general inventory of state-owned industry).
- 3) Revision of the fixtures' gross value on the basis of reprocurment price lists and/or valuation standards and determination of wear in value terms.
- 4) Filling out the inventory lists.
- 5) Evaluation of the results, above all in regard to the impact on profit and expenditures.⁵⁵

The publication of new depreciation rates based on internal operational data⁵⁶ was delayed and this gave rise to difficulties in regard to preparations for a new medium-term plan period in the late 1960's and in regard to completion of the industrial price reform.

According to accounts in the GDR economic literature, the state by supreme effort succeeded in completing the revaluation by 31 December 1963. Whether and to what extent the situation was complicated by inaccurate calculations is an open question.

The "Decree Concerning Revaluation of Fixed Assets" of 30 January 1964⁵⁷ and the "Decree Concerning Depreciations and Establishment of the Capital Repair Fund"⁵⁸ of the same date put into effect—as of 1 January 1964—the new

depreciation rates and, as gross values, newly established procurement prices. The Central State Administration for Statistics issued a decree concerning the preparation of revised opening balance sheets containing a new classification of fixed assets according to the main production processes. A new uniform fixed asset classification was the basis underlying uniform fixed asset accounting (Decree on Fixed Asset Accounting of 21 March 1964).⁵⁹ According to a report by Horst Frase, head of the Government Commission for Fixed Asset Revaluation, the gross value of fixed assets in centrally controlled industry as a whole increased by 52 percent (from 56 billion to 85 billion MDN [marks of the Deutsche Notenbank [German Bank of Issue]]) after the fixed asset revaluation.⁶⁰ As regards the extent of this change, however, there were considerable differences between the individual industrial sectors.

Regarding the gross values of various kinds of fixed assets (buildings, equipment, machines, etc.), buildings and structures showed the greatest average gains, increasing by 74 percent, as against a 37-percent rise for machines and equipment.

In terms of value, the breakdown was as follows:

<u>Fixed Asset</u>	<u>Before Revaluation</u>	<u>After Revaluation</u>
Buildings	38.9%	44.7%
Machines and equipment	61.1%	55.3%
	100 %	100 %

Total wear increased by 88 percent, which shows that prime costs had so far been assessed at too low a level.

As a result of the fixed asset revaluation, replacement depreciations increased overall by 28 percent, but there were considerable differences between the individual industrial enterprises:

Cottbus Braunkohle [Lignite] VVB [Association of State Enterprises]	by 20 percent
Leipzig and Halle Braunkohle VVB	by 43 percent
Stahl- und Walzwerke [Steel and Rolling Mills] VVB	by 24 percent
Elektrochemie und Plaste [Plastics and Chemical Engineering] VVB	by 23 percent
Baumwolle [Cotton] VVB	by 86 percent
Leder und Kunstleder [Leather and Imitation Leather] VVB	by 188 percent
Deko [German-European Transport] VVB	by 269 percent ⁶¹

The general inventory revealed a number of irregularities (fixed assets not located or not entered; more than 1 percent of fixed assets (valued at just under 1 billion MDN) operationally underutilized or totally unutilized).⁶² Undoubtedly, one of the most important negative results was the fact that upon completion of the industrial price reform, i.e., from 1967 on, the prices of 1 January 1961 on which the fixed asset revaluation had been based

no longer met the requirements of the situation prevailing after the industrial price reform. To consider another revaluation, however, was out of the question.

2. Valuation Problems in the Late 1960's

After the industrial price reform (1964-1967), there remained a number of obvious shortcomings in regard to the valuation of fixed assets and the reorganization of the price structure. The GDR's economic leadership aimed to effect a general changeover to "asset-related prices," the so-called new socialist prices of subsequent years. The prices established in the industrial price reform up to 1967 were based on plan costs calculated several years before (e.g., in 1964 for 1967⁶³) and on a profit share derived from the manufacturing costs.

Regarding the fixed asset values, it should be noted that the third stage of the industrial price reform (1967) entailed a "marked increase in investment costs"⁶⁴ in relation to the hitherto obtaining prices of machines and plants. So even at that time many of the gross fixed asset values established in the course of revaluation proved outdated, the more so as even the GDR leadership admitted that capital goods prices continued to rise in the following years⁶⁵—a fact confirmed by Western studies.⁶⁶ In connection with the fixing of asset-related prices, the valuation of the production assets was an important factor insofar as the government in 1967 introduced—as a parallel measure—the production fund utilization tax. This tax is assessed according to the "production assets," i.e., the fixed and current assets of an enterprise. Regarding these assets, however, there had been distortions as early as the price fixing in connection with the fixed asset revaluation—distortions not denied even in the GDR. In 1963, fixed assets were in principle revalued according to the procurement prices obtaining in 1961; fixed assets invested during the period from 1963 to 1966 were calculated on the basis of the prevailing procurement prices, and fixed assets acquired after 1966 were balanced—at constant prices—according to the 1966 price basis. Revaluation of fixed assets acquired after 1966 was done on the very problematic basis of price indices.^{67,68}

3. Unsolved Valuation Problems in the 1970's

In the early 1970's—on 1 October 1971—the government issued a decree concerning a general inventory as of 1 January 1971⁶⁹ and a basic revaluation of fixed assets in the housing sector. The depreciation rates remained unchanged until 1975, however (basis: pre-revaluation gross values in the housing sector). In the USSR, there took effect—as of 1 January 1972—the first fixed asset revaluation in more than 10 years; it applied to enterprises operating in accordance with the principle of economic cost accounting. On 1 January 1973, there followed a procurement price-based revaluation for consumer organizations and kolkhozes [collective farms].

In the GDR, on the other hand, there were hardly any references to the problem of another general fixed asset revaluation until the mid-1970's. Owing to the attempts at economic reorganization the GDR economic leadership had

been making since the early 1970's--especially in regard to planning methods and the preparation of comprehensive planning guidelines for the period from 1976 to 1980--questions concerning the improvement of productivity assessments increasingly came to the fore.

As early as February 1973, at the fourth conference of the Economic Research Council of the GDR Academy of Sciences, Donda, head of the Central State Administration for Statistics, had criticized the excessive undervaluation of fixed assets in the GDR. According to Donda, studies had shown that "in entire enterprises and branches the sum total of fixed asset price changes is so great that the gross value of their fixed assets would increase 25 percent and more, if it were to be calculated on the basis of new prices."⁷⁰

The Dictionary of Economics--published in 1974--likewise comments critically on the price problems, stating under the headword "Revaluation of Fixed Assets": "In the last few years, certain factors prevailing in the GDR have had a limiting effect on the utility of uniform, comparable valuations meeting present reproduction conditions. The key factors have been the singular effects of the industrial price reform and the subsequent price revisions." There was something new: the dictionary contained references to a method of continuous revision of fixed asset values that had never been mentioned in any of the official announcements: "To eliminate some of the shortcomings, there are plans to develop--beginning in 1975--price statistics for capital goods so as to be able to carry out annual revaluations of the fixed asset stock on the basis of uniform, statewide prices."⁷¹ There is a lack of more detailed information on this subject. The GDR Council of Ministers had decreed, however, to draw up "guidelines on plan accounting for the period from 1976 to 1980"⁷²--guidelines paralleling the newly established guidelines on economic planning for the same period.

Possibly the intention was through factorial computations to solve the revaluation problem. After the announced project had been dropped--or at least postponed indefinitely--in favor of a minimal solution, namely the Decree on Accounting and Statistics of 1975,⁷³ the planned revaluation suffered the same fate.

The harsh, in part nearly semiofficial criticism voiced in GDR economic journals and books is reminiscent of the situation prior to the industrial price reform of the 1960's. In the journal EINHEIT, for example, Fred Matho, one of the GDR's experts on prices, stated that "some of the current industrial prices no longer correctly reflect the socially necessary expenditure of work" and therefore could no longer be considered a "true standard in the struggle for intensification of production."⁷⁴ In connection with a gradual revision of industrial prices (extending over the 1976/80 five-year plan period) on a median cost level,⁷⁵ there also were references to a necessary revaluation of fixed assets, but these considerations left undecided both the question concerning the radical approach of total revaluation on a fixed date and the attempt at continual (annual) revision. It was above all the 1976 introduction of pricing according to the price-productivity ratio⁷⁶ that gave rise to additional questions concerning the process of valuation of fixed asset procurement prices. Besides, the principle of assessment

according to gross value had been breached in the increasingly frequent cases involving fixed asset sale and reemployment of "used fixed assets": in reutilization, the balance sheet showed only the (remaining) purchase price instead of the original gross value, and this practically precluded any economic comparison between individual enterprises. As regards imported machinery, various surcharges and changes made in the mode of calculation rendered impossible any comparison with GDR machines and equipment.

There are some indications that in the late 1970's the GDR economic leadership for various reasons was uncertain as to how to proceed in regard to revising fixed asset valuation. Basically, it was a matter of two approaches. The first approach called for relating all gross procurement values (above all the new ones) to the uniform price basis of an unchangeable plan price; in the second approach, all assets would on a target date be converted to the "uniform" basis of reprourement prices. Regarding the first case, valuation according to a constant plan price presupposed double valuation (plan price and procurement price) in the enterprises, and for this reason, this approach was excluded. As to the method of conversion to the respective price level, there likewise were various difficulties and, again, at least two possible approaches: Firstly, continuous conversion of the fixed asset stock through a system of coefficients based on annual reprourement prices (the GDR, too, made a distinction between statistical and book revaluation⁷⁷), and secondly, overall conversion undertaken periodically within a number of years. Prior to 1972, the shortcomings resulting from valuation distortions had "several times" impelled the Central State Administration for Statistics (SZS) "to put up for discussion the question of another fixed asset valuation,"⁷⁸ but the GDR economic policymakers--apparently made wary by past experience--backed off. It was probably in the late 1970's that the leadership for the first time clearly defined its objective. In 1977, the following statement on fixed asset revaluation was issued at the Bruno Leuschner Institute for Economics:

"The Central State Administration for Statistics has again been instructed to prepare and submit a plan showing ways of solving--at minimum cost--the problems concerning another fixed asset revaluation. The Central State Administration holds that another fixed asset revaluation will be less costly than the 1963 revaluation, since in 1963 there was put into effect--along with the revaluation--the newly developed system of economic accounting and statistical control. This system, which has proved a success, includes the extensive inventory lists, the fixed asset classifications based on these lists, the depreciation principles, the service life norms, etc."⁷⁹

There was "far-reaching agreement" on methods as well.⁸⁰ Owing to the fact that valuation was variable and by no means uniformly incorrect, revision via price indices was out of the question. ("Since in the GDR economy there is no 'uniform misvaluation' of fixed assets, revaluation by means of price indices is hardly feasible. It would necessitate not only elaboration of price indices for the numerous types of fixed assets according to the inventory lists, but also graduation of the price indices according to the respective years of fixed asset acquisition."⁸¹ Thus, for revision of at least 15 million inventory items (as of 1974), the state had to fall back on the

instruments of the 1960's, i.e., on price lists and individual assessments. There was uncertainty, however, in regard to some other questions, e.g., the appropriate base year and the problem of maintaining comparability subsequent to revaluation, i.e., continuous revision of fixed asset values.

It is not known exactly what made the government postpone once again the total revaluation of fixed assets in the GDR; after all, even at that time it considered "the function of gross value as a basis for planning investments, equipment retirement and maintenance (to be) quite limited."⁸² In the course of subsequent years, the distortions were bound to increase.

4. 1983 Revaluation Signals

As the demands concerning a consistent economic policy of intensification and of meeting new productivity targets grew more insistent, the need for a radical correction of the false or distorted capital values became more and more pressing, for "correct or incorrect assessment"⁸³ of an enterprise's fixed assets values "has an effect on profit and on the figures derived from it."⁸⁴ In the early 1980's, Matteredne and Tannhaeuser criticized the obviously desolate state of economic affairs: "The comparability of fixed asset data could hardly be impaired any more than is presently the case as a result of both the fact that most gross asset figures are estimates and the variance in an input structure established in terms of gross assets."⁸⁵ The fixed assets' nominal value proved to be of little utility.⁸⁶

A "secondary valuation," i.e., continuous double valuation "of all inventory items in the enterprises" was ruled out on account of its being too costly.⁸⁷

In consequence of the 1982 measures concerning further improvement of economic accounting⁸⁸—emphasis placed on constant comparison of "input and output," improvement of cost accounting, periodical cost reports and cost reduction programs intended to increase the transparency of operational procedures, and introduction of a wage tax as new economic control lever—the need to eliminate the grave misvaluations of a key factor undoubtedly intensified. After all, from 1975 to 1980 the production input prices had increased by an average of 25 percent;⁸⁹ further price hikes followed in the course of a gradual annual price revision during the 1981/85 five-year plan period, and in view of these increases it seems safe to assume the average price level will be rising by at least 10 to 20 percent.⁹⁰ These scissors—essentially opening between the value bases of fixed assets and current production assets—aggravated the prevailing valuation chaos. Considerations concerning introduction of decision-oriented fixed asset accounting in the GDR did not get past the theoretical stage any more than did other intensification-oriented accounting modes.⁹¹

In the economic literature, many of the GDR's leading economists have for years been advocating—directly or indirectly—speedy revaluation of fixed assets in the GDR. Of late, the pressure has been increasing on account of the preparatory work for the 1986/90 Five-Year Plan.

It therefore was understandable that in the GDR Statistical Pocket Book published in the spring of 1984 the GDR's average fixed asset stock was no longer based on the 1966 price basis, but on the prices obtaining in 1980. Interestingly, neither the newspapers and journals nor the GDR GESETZBLATT [Legal Gazette] published any information concerning the mode of revaluation in statistics and its application in the enterprises. On the basis of its extent and the great statistical variation in revaluation quotas, one may venture a few speculations.

On the whole, the information published in the Statistical Pocket Book and—subsequently—in the 1984 GDR Statistical Yearbook conveys the following picture:

- 1) The value of the average fixed asset stock in 1982 (see Table 1) increased by 45 percent.
- 2) Regarding the individual economic sectors, there is great variation in the revision quotas.
- 3) The increase in the "production sectors" of the national economy is about half as great (33.8 percent) as in the "nonproduction sectors" (69.7 percent). The sizeable increase in the "nonproduction sectors" probably is for the most part attributable to a large construction share. In GDR statistics, the changeover from the 1975 price basis to the 1980 basis resulted in the construction share of investments showing a greater increase than the equipment share.⁹² In the fixed asset revaluation of the 1960's, the difference had been insignificant. The average quota for buildings and structures (174 percent) exceeded by far the quota for machines and equipment (137 percent).⁹³
- 4) Regarding the national economy as a whole, the figures shown from 1949 onward show the revaluation quotas declining each year by a few tenths of 1 percent, beginning at 50.3 percent in 1949 and dropping to 45 percent in 1982—an overall decrease by a little over 10 percent (see Table 2).
- 5) In the "production sectors" (see Table 2), there is relative constancy—with quotas fluctuating between 33.1 percent (1979 and 1981) and 34.6 percent (1975)—whereas in the "nonproduction sectors" the revaluation quota increased by approximately 10 percent between 1949 and 1982.
- 6) Regarding the revaluation quotas in the individual economic sectors, the variation is striking (see Table 3)—with the figures ranging from 5.7 (domestic trade in 1982) to 82.1 percent ("other production sectors" in 1982); most likely, the construction shares are a key factor in this respect as well.
- 7) All in all, one notes a structural shift of the GDR economy's average fixed asset stock, as against the preceding valuation according to the 1966 price basis (see above all Table 4).

Table 1. Average Stock of GDR Fixed Assets in 1982, Calculated at Comparable Prices of the 1966 and 1980 Price Bases

<u>Sector</u>	<u>Year</u>	<u>Price Basis 1966, in mill. marks</u>	<u>Price Basis 1980, in mill. marks</u>	<u>Price Basis 1980 Price Basis 1966 in %</u>
National economy as a whole	1982	779,570*	1,130,762	45.0
Production sectors including:	1982	536,000	717,381	33.8
Industry	1982	340,450	458,043	34.5
Production trade (excl. construction)	1982	2,400	2,610	8.8
Construction industry	1982	17,550	19,518	11.2
Agriculture and forestry	1982	68,750	103,190	50.1
Transportation, postal service, and telecommunications	1982	75,250	97,718	29.9
Domestic trade	1982	27,800	29,382	5.7
Other production sectors	1982	3,800	6,920	82.1
Nonproduction sectors	1982	243,570	413,381	69.7

Sources: GDR Statistical Pocket Book, 1983 and 1984, p 31

1) Prefatory statement in the 1984 GDR Statistical Yearbook (p 101): "The fixed asset values are based on comparable prices obtaining in 1980."

* 1982 tentative figures

Development of the GDR's Average Fixed Asset Stock, 1950-1982
(in Billion Marks)--Comparable Prices--1966 & 1980 Price Bases
(1982 : 100)



Average Fixed Asset Stock of the GDR's Production Sectors in 1982
(in Billion Marks)--Comparable Prices--1966 and 1980 Price Bases



Production
sectors
as a whole

Incl.:

1. Industry
2. Production trades (excl. construction)
3. Construction sector
4. Agriculture and forestry
5. Transport, postal serv., telecomm.
6. Domestic trade
7. Other production sectors

Table 2. Average Fixed Asset Stock of the GDR--Comparable Prices of the 1966 and 1980 Price Bases

1) Jahr	Gesamte Volkswirtschaft 2) in Millionen Mark		Produzierende Bereiche 3) in Millionen Mark		Nichtproduzierende Bereiche in Millionen Mark 4)	
	Preisbasis 1980	Preisbasis 1966	Preisbasis 1980	Preisbasis 1966	Preisbasis 1980	Preisbasis 1966
1949	399 700	266 000	159 740	119 434	239 950	146 566
1950	403 300	268 550	162 400	121 339	240 970	147 211
1955	433 138	289 572	183 198	136 926	249 940	152 646
1960	483 883	324 852	217 163	161 932	266 720	162 920
1965	578 590	392 518	292 070	217 466	286 520	175 052
1966	598 454	406 769	307 914	229 237	290 540	177 532
1967	616 123	419 270	321 283	239 094	294 840	160 175
1968	642 428	434 945	336 937	250 557	305 491	184 388
1969	661 371	448 586	350 905	261 171	310 466	187 415
1970	686 624	466 722	370 703	275 985	315 921	190 737
1971	714 569	486 779	392 884	292 528	321 685	194 251
1972	741 853	506 280	414 470	308 560	327 383	197 720
1973	772 209	528 094	438 575	326 568	333 634	201 526
1974	804 695	551 443	464 166	345 717	340 529	205 726
1975	840 677	576 854	493 729	366 704	346 948	210 150
1976	878 507	603 155	522 339	388 510	356 168	214 645
1977	915 404	629 067	550 741	409 822	364 643	219 245
1978	955 650	657 241	580 210	432 851	375 440	224 391
1979	996 388	686 779	608 877	457 599	387 511	229 180
1980	1 038 236	716 092	644 369	482 724	393 867	233 368
1981	1 083 918	749 253	679 680	510 462	404 238	238 791
1982	1 130 762	779 570*	717 381	536 000*	413 381	243 570*
1983	1 176 000*		754 000*		422 000*	

Key: 1. Year 3. Production sectors * Tentative figures

2. National economy 4. Nonproduction sectors

Source: 1983 and 1984 GDR Statistical Pocket Book, p 31

Table 3. Average Fixed Asset Stock of the GDR's Production Sectors (in million marks)
Comparable Prices--1966 and 1980 Price Bases

Wirtschaftsbereiche 1)	1960			1970			1980			1982		
	Produktions- 1960	Produktions- 1966	Pb. 1980 Pb. 1966	Produktions- 1960	Produktions- 1966	Pb. 1980 Pb. 1966	Produktions- 1960	Produktions- 1966	Pb. 1980 Pb. 1966	Produktions- 1960	Produktions- 1966	Pb. 1980 Pb. 1966
Industrie 2)	127 286	94 699	34,41	225 076	167 626	34,27	406 938	303 476	33,21	458 043	340 450	34,54
Produzierendes Handwerk (ohne Bauhandwerk) 3)	1 817	1 580	15,00	2 800	2 434	15,04	2 415	2 100	15,00	2 610	2 400	9,75
Bauwirtschaft 4)	3 172	2 808	12,96	8 415	7 448	12,98	17 520	15 528	12,83	19 518	17 550	11,21
Land- und Forstwirtschaft 5)	31 353	20 466	53,05	57 409	37 500	53,09	93 790	61 642	52,10	103 190	68 750	50,09
Verkehr, Post- und Fernmeldedienste 6)	43 339	33 078	51,02	59 753	45 532	51,23	90 430	69 505	50,11	97 718	75 250	29,84
Einzelhandel 7)	9 224	8 750	5,66	14 929	14 129	5,66	26 828	24 942	7,56	29 382	27 600	5,69
Sonstige produzierende Zweige 8)	972	551	76,41	2 321	1 316	76,37	6 448	3 511	83,65	4 920	3 800	82,11
Zusammen: 9)	217 163	161 932	54,11	370 703	275 985	54,32	644 369	482 724	33,49	717 381	536 000	33,84

Key: 1. Economic sectors
2. Industry
3. Production trades
(excl. construction)
4. Construction sector
5. Agriculture and forestry
6. Transportation, postal service and telecommunications
7. Domestic trade
8. Other production sectors
9. Total

Source: 1983 and 1984 GDR Statistical Pocket Book, p 32

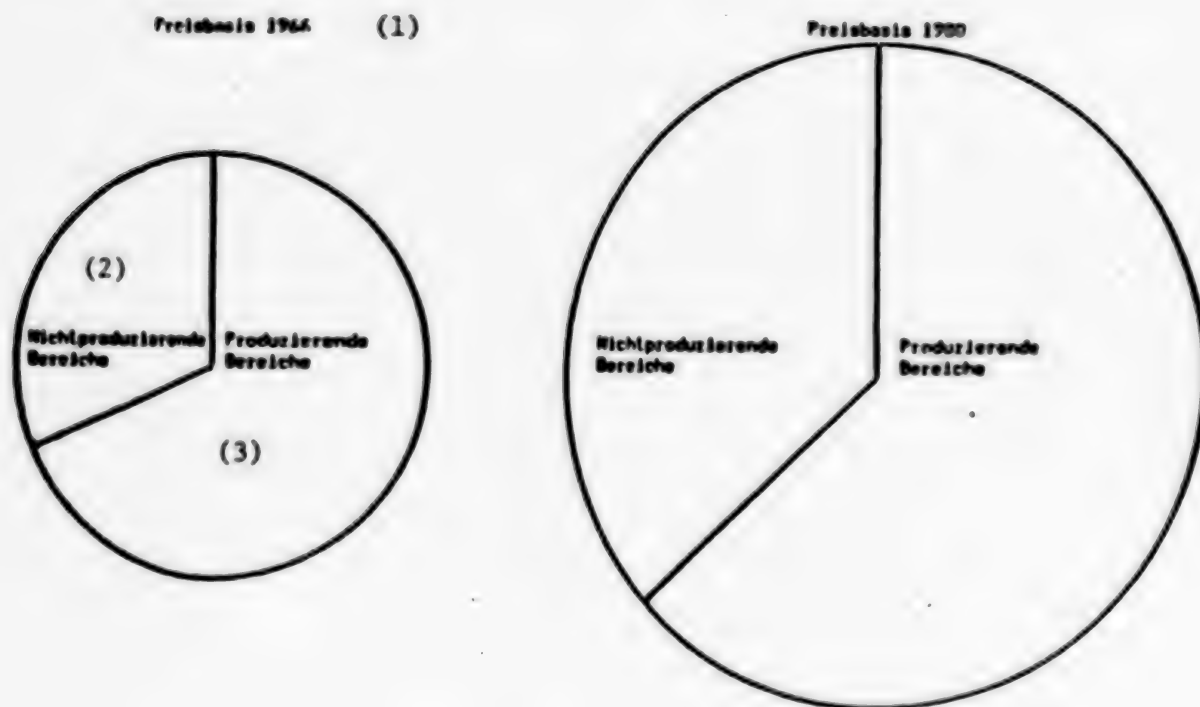
**Table 4. Changes in the Production Sectors' Shares of Average Fixed Assets
Calculated at Comparable Prices. 1966 and 1980 Price Bases.**

<u>Economic Sectors</u>	<u>1982* (Price Basis 1966) in %</u>	<u>1982 (Price Basis 1980) in %</u>
Industry	63.5	63.8
Production trade (excl. construction)	0.4	0.4
Construction industry	3.3	2.7
Agriculture and forestry	12.8	14.4
Transportation, postal service and tele- communications	14.4	13.6
Domestic trade	5.2	4.1
Other production sectors	0.7	1.0
Total	100	100

* Provisional prices

Sources: GDR Statistical Pocket Book, 1983 and 1984, p 32

Graph. Average Stock of GDR Fixed Assets in 1982, Calculated at Comparable Prices



Key:

1. 1966 price basis
2. Nonproduction sectors
3. Production sectors

IV. Attempts at Interpretation

1. Improvement of Valuation in the 1986/90 Five-Year Plan

The above-described historical trends concerning changes in the valuation of fixed assets in the GDR are just one aspect of the fundamental price problems. So far, improvement of valuation, above all establishment of more realistic fixed asset values, had been considered "too complicated and laborious."⁹⁴

A GDR study on the problem of industrial production valuation arrived at the following assessment: "At present, we do not know of any method--and there never will be such a method--that would be capable of exactly and smoothly incorporating constant prices of new, advanced products into the value structure of industrial production."⁹⁵ In view of the prevailing principles of valuation, establishment of "real procurement prices" of capital goods is unlikely--even though the "Lehrbuch Sozialistische Betriebswirtschaft" [Textbook for Socialist Management]⁹⁶ considers such prices to be attainable--for

any valuation can only be as "good" as the overall price level. A certain degree of improvement is attainable, however. Another round of price revisions, beginning on 1 January 1985, is supposed to help reduce the price level distortion. Signaling fixed asset revaluation of one form or another, the economic policymakers have shown they are determined also to eliminate this shortcoming--a shortcoming that has been obvious for years.

By taking into account the so-called contribution to public funds (70 percent of the wage fund actually paid out by an enterprise), the state wanted to eliminate the undervaluation of the labor factor in the GDR. A "revaluation of fixed assets" counteracts undervaluation of the capital factor; the GDR considers both measures important steps toward "further improvement of the socialist price structure, both in terms of the process of value generation and in terms of the cost factor."⁹⁷ Regarding the price basis of the new five-year plan, the GDR thus is laying a better foundation (as compared to previous conditions) for making productivity assessments and operational comparisons.

A more realistic assessment based on a general fixed asset inventory,⁹⁸ especially a realistic assessment of the local manufacture of streamlining measures, would be another effective measure in regard to future investments and possibilities of modernization and streamlining.⁹⁹

2. Expectations and Open Questions

Regarding the revaluation of fixed assets in GDR statistics and another revaluation announced on 22 November 1984 at the ninth conference of the SED Central Committee, there are certain inconsistencies and some open questions--or questions that can be answered only in part. Obviously, the GDR is deliberately withholding more detailed information:

- 1) In what way did the changes made in the official statistics in regard to the price basis for fixed assets affect the combines and enterprises? Did the industrial management establish new fixed asset values and introduce them--provisionally or experimentally, in part or in their entirety--into the economic system, or do these figures merely represent general statistical revaluations on the part of the central planning administration--valuations that have no bearing on industrial operations?
- 2) According to the SED's statement of accounts at the ninth Central Committee conference, the revaluation is a matter of a specific date as much as it has to do with a price basis in the late 1980's ("according to the prices effective from 1986 onward"). It remains an open question if there is a connection here with the revision based on 1980 prices that was published in the latest GDR statistics.
- 3) Of great significance in regard to the further course of development is the question as to what prerequisites are essential to a general revaluation, in particular a revaluation based on extensive price lists and individual assessments.

Regarding 1) A preliminary note on page 101 of the 1984 GDR Statistical Yearbook states succinctly: "The valuation of fixed assets is based on comparable prices obtaining in 1980." There are indications that warrant a certain skepticism in regard to a revaluation restricted to the realm of statistics. For one thing, a two-tier value system--separating the Central State Administration for Statistics from the combines and enterprises--would be at variance with the control principle stipulating a uniform valuation standard for both the planning center and the enterprise; and the great variance in valuation within the individual economic sectors seems to indicate that valuation is specific and oriented toward operational practice rather than exclusively general.

Regarding 2) Since in the 1986 GDR Statistical Yearbook (to be published in 2 years) the statistical data would have to be calculated according to the new price basis of 1985, the divergence from the 1966 price basis would be disproportionately great--if only for propaganda-related reasons. Of even greater significance are the calculations for the 1986/90 Five-Year Plan. So it is quite possible that in combine accounting and statistics a "not quite so work-intensive"¹⁰⁰ revaluation based on relatively general price coefficients has been effected--all reservations notwithstanding. The advantages offered by this experiment could be interesting in regard to future periodical revaluation of fixed asset values; in the mid-1980's, the undoubtedly imperfect, but all in all somewhat less unreal values would then undergo some fine tuning. At the same time, an inventory would furnish essential information on the total fixed asset stock.

The above assumption of a "quiet" provisional revaluation (via price coefficients?) is supported by an interesting fact. The GDR's economic policy-makers had announced new depreciation rates (to take effect in 1984) and, in addition, a new extensive index for the first quarter of 1984. A change in depreciation rates, however, presupposes a basic revaluation of fixed assets. Publication of this index--officially announced in the GDR GESETZBLATT [Legal Gazette]--has been postponed to the fourth quarter of 1984.¹⁰¹ To assume this implies difficulties in regard to the fixed asset revaluation, snags in implementation or other problems would be mere conjecture. Likewise, it would be pure speculation to expect the new revaluation announced at the Central Committee conference to be followed by an industrial price reform, just because this was the case 20 years ago. Besides, there remain certain inconsistencies in regard to the revaluation based on 1980 prices. At any rate, a larger number of indices¹⁰² and other productivity assessment factors established in combines and enterprises in connection with fixed asset values call for more accurate valuation.

Regarding 3) In 1982, Matterne and Tannhaeuser, two of the GDR's leading experts, named the following five task complexes as key elements of a basic revaluation:¹⁰³

- 1) Various calculations in preparation of the revaluation (e.g., determination of deviations and changes or impact on costs)
- 2) General inventory¹⁰⁴

- 3) Implementation of the revaluation by means of price lists, other revaluation modes, or individual assessment
- 4) Revision of depreciation rates and depreciation modes
- 5) Incorporation of the new values in the balance sheets of combines and enterprises

It therefore is quite possible that aside from their being required for the five-year plan calculations, the results obtained so far in the published revaluation on the 1980 price basis are part of the preparations for another, more extensive revaluation in the mid-1980's. On that basis, it would then be possible in the next few years to undertake an "improved" valuation of fixed assets--a valuation based on the 1985 plan price and becoming effective in the second half of the 1980's. In this period, the combines and enterprises will have to make every effort to solve the problems concerning revaluation, above all the problem of establishing a large number of diverse fixed asset prices.

A rise in fixed asset values has far-reaching consequences. In view of previous procedures, the enterprises probably do not welcome higher values, since they would not only result in a less favorable fixed asset/production cost ratio, but would also raise the production fund utilization tax (on account of higher gross values); another result would be an increased need for efficiency measures and the shift system--to name but a few of the factors that could prove an obstacle to revaluation.

Addendum: Announcement of Changes in the Reference Standard for Calculating the Production Fund Utilization Tax—A New Inventory Decree

1. After the present analysis was signed to press, PRESSE-INFORMATIONEN, an organ of the GDR Council of Ministers, on 14 December 1984 published an article by Wolfgang Gress, member of the GDR Council of Ministers and state secretary at the State Planning Commission, on intensification of the "national economy's investment capacity. . . ."105 This article announced a substantial change in the reference standard for calculating the production fund utilization tax—the result of a resolution the SED Politburo and the GDR Council of Ministers had adopted "in September 1984 in regard to measures concerning improvement of management, planning and cost accounting in the field of investment and fixed asset reproduction."106 The SED's main objective is still more intensive modernization and streamlining of existing machinery and plants instead of investment in new equipment or expansion.

In this connection, Gress likewise announced a change in the reference standard for the production fund utilization tax (PFA):

"The orientation of investment activity and fixed asset management toward all-encompassing intensification is effectively supported by new directives concerning the production fund utilization tax. In future, this tax will be levied on the net value of fixed assets. Thus the production fund utilization tax for new investments exceeds by far the tax for existing fixed assets the net value of which is steadily decreasing. Major overhauls no longer raise the net value and are exempt from the production fund utilization tax. In future, major overhauls will therefore be less expensive than new investments. This encourages modernization and makes for a high degree of utilization of new fixed assets."107

For the GDR, this change represents an important reform measure. The GDR thus follows the example of other CEMA countries that had made net value the reference standard at the time the PFA was introduced or had later changed over to it. In some CEMA countries, the PFA has been replaced by other taxes. As regards passing the PFA to account as a cost factor, this still is an open question in the GDR. In the USSR, gross value remains the PFA reference standard.

For lack of more specific information, it is impossible to discuss in greater detail the effects of the above changes. It appears safe to say that the announced revaluation of fixed assets has thereby assumed greater significance.

An important aspect in connection with the announced revaluation of fixed assets according to the 1986 price basis is the question as to the future volume of PFA payments to the GDR state budget. After the introduction of a (high) wage tax of sorts ("contribution to public funds") in early 1984 and the concomitant reduction of the combines' and enterprises' net profit payments to the state budget, this would be another change in the volume of "payment channels." The modification of the PFA payments to the state budget need not be substantial, however. With the average gross value of fixed asset (calculated according to the 1986 price basis) expected to rise to

150 percent (1980 price basis: 145 percent), as compared to the valuation based on the prices obtaining in 1966, the new net value could be quite close to the former gross value of the 1966 price basis.

Generally speaking, the changeover to a net value reference standard in connection with revaluation should have a positive effect on the combines' operational accounting.

2. After the present analysis was signed to press, a new "inventory decree" was published in the GDR (Decree on the Taking of Inventories--Inventory Decree--of 31 October 1984; GBl [Legal Gazette] I, 1984, No 33, date of issue: 10 December 1984, pp 402-441). This decree replaces the "inventory guideline" of 1975 (Decree on the Taking of Inventories in Enterprises, Combines, Institutions, and Policy-Making Organs--Inventory Guideline--of 20 June 1975; GBl Special Issue 801, 27 August 1975, pp 1-8), which had replaced the regulations in connection with the revaluation of the 1960's. Taking effect on 1 January 1985, the inventory decree does not apply to artisans' production cooperatives; in that sector, it will not come into effect until 1 January 1986. The inventory decree does not contain any references to a revaluation of fixed assets. In itself, the new decree undoubtedly is an important prerequisite to the announced revaluation. It is striking, however, that in contrast to the 1975 regulations the "land" inventory is expressly dealt with in a separate article (Article 12); the previous regulations did not mention land, nor did they include woodland (Article 23) or livestock (Article 24). In the fall of 1984, an article published in the journal WIRTSCHAFTSWISSENSCHAFT pointed out the importance of land "for economic input-output calculations."¹⁰⁸ "Inclusion of land and of other assets, e.g., livestock, would enable us to show the dynamics of producer goods (land, livestock, basic assets and current production assets) in relation to the net product of the agrarian sector."¹⁰⁹ The author emphasizes that the objective is not "assessment of the land in the framework of cost accounting," but only the taking into account of land and livestock "in the context of branch-specific and overall economic calculations" on the strength of their "great practical significance." These explanations and the fact that land--along with "fixed assets" and "means of production subject to stock-taking"--has been classified in the new decree under the "inventory lists'" "means of production" heading (Article 8) reveal fundamentally new aspects of valuation.

Appendix: Annotations on Fixed Assets in the GDR

Excerpts from: "Definitionen fuer Planung, Rechnungsfuehrung und Statistik" [Definitions for Planning, Accounting and Statistics], Part II, 1980, pp 47-62. Edited by the GDR Council of Ministers. Central State Administration for Statistics.

Basic Assets

Means of production whose service life norm exceeds 1 year and whose gross value exceeds

- 1000 marks in combines, enterprises, institutions, cooperatives, etc. that do cost accounting (see Decree on Accounting and Statistics in Enterprises and Combines of 20 June 1975, GB1 [Legal Gazette], Special Issue No 800; Decree on Accounting and Statistics in Socialist Domestic Trade of 22 January 1976, GB1, Special Issue No 827; and Decree No 3 on Simplified Requirements Concerning Record Keeping in Accounting and Statistics of 3 February 1976, GB1, I, No 8, p 150);
- 500 marks in state organs and institutions without cost accounting, non-state-owned enterprises, etc. (see Decree No 2 on Simplified Requirements Concerning Record Keeping in Accounting and Statistics of 29 December 1972, GB1, I, 1973, No 5, p 60) and in private workshops, commission-trade enterprises, etc. (see Decree No 2 (29 December 1972) on Inclusion of Commission-Trade Enterprises and Other Private Enterprises and of Self-Employed Citizens in the Uniform System of Accounting and Statistics, GB1, I, 1973, No 5, p 68).

The category of fixed assets includes initial equipment and equipment assemblies.¹¹⁰

The category of fixed assets does not include:¹¹¹

- Land
- Breeding, draft and domestic stock
- Protective work clothes
- Special, job-related tools and equipment whose cost forms the basis for calculating the product or service price
- Project-oriented means of research, irrespective of their value and service life
- Low-grade means of production with a high rate of wear, unless they represent initial equipment or equipment assemblies
- Spare parts
- Engines, unless they are an integral part of a fixed asset, and substitute assemblies, unless they are designated (in branch-specific regulations) as self-contained fixed assets
- Lead materials, unless they represent equipment assemblies
- Green space and landscaped grounds
- Land use fees and compensatory payments for economic difficulties; compensation paid to owners

- Perennial crops
- Obelisks, statues, monuments, museum pieces and the like, unless their acquisition was effected with investment funds.

Fixed Asset Stock

The total stock of fixed assets of enterprises, branches, sectors or the national economy as a whole, taken on a fixed day, or the average stock taken during a certain period (e.g., average annual fixed asset stock calculated on the basis of the stock on hand on 13 specific days (beginning of the year and end of the respective month) or on the basis of 5 specific days (beginning of the year and end of the respective quarter)).

Fixed Assets Classified According to Their Main Production Function (Fixed Asset Groups)

Binding classification of the fixed assets (excluding initial equipment) in fixed asset groups analogous to the economic sectors:

Fixed assets for

- industrial production
- construction work
- agricultural production and forestry
- transport and communications
- commerce
- water management and environmental protection
- other branches of the production sectors
- science and technology
- education
- art and cultural affairs
- public health
- social welfare and recreation
- sports and physical education
- housing
- other branches of the nonproduction sectors

The groups serve to characterize the type and economic objective of fixed asset use in the production and reproduction process of enterprises, cooperatives and institutions.

Normative Service Life (NND)

Average time span within which similar fixed assets, adequately maintained under typical operating conditions, can be used with optimal efficiency.

On the basis of the normative service life, the fixed asset depreciation rates are determined. The NND of the individual inventory items is laid down as a state norm in the fixed asset index and depreciation rate list (GBI, Special Issue No 550 and Supplements).

Increase or Reduction of Fixed Assets

Fluctuation of the fixed asset stock in accordance with the following types of increase or reduction:

--Increase

Accessions (e.g., through investments, solidarity achievements, mass support drives, and donations)

incl.: new assets
used assets¹¹²

Inter-enterprise turnover of assets

Assets found

Revaluations

--Reduction

Sale of fixed assets

Cases of damage, demolition and scrapping of fixed assets; write-offs of initial equipment¹¹³

Inter-enterprise turnover of assets

Loss of assets

Revaluations

Fixed Assets and Expenditures Subject to Production Fund Utilization Tax

According to the currently effective regulations (see Decree Concerning the Production Fund Utilization Tax of 16 December 1970, GB1, II, No 4, p 33):

--All fixed assets at gross value up to their retirement, including assets leased (for exceptions, see GB1 above)

--Investment projects carried out by main contractors in the construction and industrial sectors (from the date of commencement of operations)

--Unfinished investment projects (account category 19), provided that after assetization they are likewise subject to production fund utilization tax

--Land use fees assetized in Account 092

Fixed Asset Procurement Price

The procurement price is made up of the following costs and charges:¹¹⁴

--Cost price

--Assembly and installation costs (including the laying of foundations)

--Investment preparation costs

--Costs of earth work and installations at the construction site

--Proportionate costs of construction supervision by the authorized investor or his agents

--Costs of tests, test runs, etc., provided that they are part of the investment plan and not the result of unsatisfactory contract fulfillment and that they were not included in the payment for services rendered

--Proportionate costs of the final inspection of the investment projects, provided that these are additional costs that are payable neither by the enterprises or institutions employing the inspection agents nor by the general or main contractors

- Costs resulting from additional requirements concerning technical improvement of fixed assets
- Additional charges (agreed upon on the strength of the basic ruling) concerning implementation of the investment project, provided that the technical and economic indices underlying the industrial price were exceeded
- Other costs that on the strength of special regulations must be considered and assetized as investment costs.

The following costs and charges are not part of the fixed asset procurement price:

- Additional investment costs in accordance with the pertinent regulations
- Costs of production startup or of putting the investment project in operation
- Additional charges for preschedule completion
- Additional charges resulting from faulty preparation and implementation of investment projects
- Land use fees, compensatory payments for operational difficulties, and compensation paid to owners
- Costs of exchanges, moves, dismantling and scrapping of fixed assets.

Cost Price

The purchase price to be paid by the buyer of a particular product, including the respective prime costs and excluding the allowances and discounts taken into account.

Fixed Asset Reprocurement Price

The price that would have to be paid--under the production and price conditions prevailing in the GDR at the time--for acquisition of a comparable asset. The reprocurement price of a basic asset has to be in sufficiently accurate relation to the values of comparable new assets.

Gross Value of Fixed Assets

Gross value is defined as follows:¹¹⁵

- For new fixed assets acquired through purchase, it is the procurement price (original value);
- for used stationary assets acquired through purchase and for fixed assets exchanged, the original procurement price (original value);
- for used movable assets acquired through purchase, the cost price;
- for project-oriented means of production incorporated into the enterprise's fixed asset stock, the original procurement price (original value);
- for revalued fixed assets, the value stipulated by the regulations governing the fixed asset revaluation;

- for fixed assets produced in the framework of scientific-technological projects, the reprocurment price;
- for fixed assets produced through solidarity achievements, mass drives and other organized, voluntary activities of citizens or brigades, the industrial selling price or the gross value of comparable basic assets at hand;
- for fixed assets manufactured locally for the production of special, noncommercial streamlining measures, the value stipulated by the current regulations; for other (locally manufactured) basic assets, usually the industrial selling price;
- for dams and excavations, the procurement price;
- for fixed assets found, the original procurement price (original value) or the gross value of comparable basic assets at hand.

The gross value represents the basis for calculating the rates of depreciation.

FOOTNOTES

1. E. Honecker, "From the Politburo Report Delivered to the Ninth Conference of the SED Central Committee," NEUES DEUTSCHLAND, 23 Nov 84, p 5.
2. Ibid.
3. Headword "Umbewertung der Grundmittel" [Revaluation of Fixed Assets] in: "Woerterbuch der Oekonomie. Sozialismus" [Dictionary of Economics. Socialism], 6th ed, East Berlin, 1984, p 906.
4. See "Statistisches Taschenbuch der DDR 1984" [1984 GDR Statistical Pocket Book], pp 32-33.
5. See Guenter Mittag, "Theoretical Generalization of the Experience Gained in Combine Development for the Purpose of Improving Performance in the National Economy as a Whole, Above All in Regard to Utilization of Qualitative Growth Factors," WIRTSCHAFTSWISSENSCHAFT, No 1, 1984, p 55.
6. According to Mittag: Fixed assets per gainfully employed person in GDR industry in 1982, "in excess of 106,000 marks." (G. Mittag, op. cit., p 55). 1983 GDR Statistical Pocket Book (1966 price basis): 106,096 marks. 1984 GDR Statistical Pocket Book (1980 price basis): 141,735 marks.
7. Guenter Mittag, "Theoretical Generalization of the Experience Gained in Combine Development for the Purpose of Improving Performance in the National Economy as a Whole, Above All in Regard to Utilization of Qualitative Growth Factors," in: "Wirtschaftswissenschaftliche Konferenz der DDR im Karl-Marx-Jahr. 29.30. Sept. 1983 in Berlin" [GDR Economic Conference in the Karl-Marx-Year. Berlin, 29/30 Sep 1983], East Berlin, 1984, p 13.
8. Ibid.
9. Erich Honecker, "Bericht des ZK der SED an den VIII. Parteitag der SED" [Report of the SED Central Committee Delivered to the Eighth SED Congress], East Berlin, 1971, p 45.
10. "Politische Oekonomie. Lehrbuch" [Political Economics. Textbook], East Berlin, 1955, p 527.
11. See Karl C. Thalheim et al., "Current Attempts at Reform in the GDR Economic System—Renaissance of the 'New Economic System'?" FS ANALYSEN, No 1, 1984, p 5.
12. See Kurt Erdmann, "The New 1980 Price Basis—Changes in GDR Statistics," FS ANALYSEN, No 6, 1982, p 48.
13. Kurt Matteredne and Siegfried Tannhaeuser, "Die Grundmittelwirtschaft in der sozialistischen Industrie der DDR" [Fixed Asset Management in GDR Socialist Industry], 3rd revised ed, East Berlin, 1982, p 17.

14. See "Erlaeuterungen zur Rechnungsfuehrung und Statistik in den Betrieben und Kombinatn" [Annotations on Accounting and Statistics in Enterprises and Combines], 2nd revised ed, East Berlin, 1979, p 26.
15. See Appendix.
16. Dieter Graichen et al., "Sozialistische Betriebswirtschaft. Industrie" [Socialist Management. Industry], East Berlin, 1983, p 222.
17. See Decree on Accounting and Statistics in Enterprises and Combines of 20 June 1975, GBl [Legal Gazette], Special Issue 800, Article 102 (Fixed Asset Valuation).
18. See the comments by Guenter Geissler et al.: "Rechnungsfuehrung und Statistik im Sozialismus" [Accounting and Statistics in Socialism], East Berlin, 1977, pp 75-79; or Kurt Matterne and Siegfried Tannhaeuser, op. cit., p 279.
19. Guenter Geissler et al., op. cit., p 77.
20. Kurt Matterne and Siegfried Tannhaeuser, op. cit., p 284.
21. See Wolfgang Strauss and Gerhard Reutsch, "Grundfondoekonomie" [Fixed Asset Management], East Berlin, 1979, pp 34-35.
22. Ibid.
23. After the present article was signed to press, there was a change in the reference standard of the production fund utilization tax. See Addendum.
24. "Alphabetisches Abschreibungsverzeichnis mit Erlaeuterungen zur Grundmittelwirtschaft" [Alphabetical Depreciation Index with Annotations on Fixed Asset Management], edited by order of the Central State Administration for Statistics, East Berlin, 1974, Part I, p 11.
25. Ibid.
26. GBl [Legal Gazette], Special Issue No 550 (with supplements up to 1978).
27. Regarding problems of fixed asset valuation and depreciation, see also:
 Gerd Leptin, "Methode und Effizienz der Investitionsfinanzierung durch Abschreibungen in der Sowjetwirtschaft" [Method and Efficiency of Investment Financing Through Depreciation in the Soviet Economy], Berlin, 1961.
 Gerd Leptin, "Die Anlagen im Rechnungswesen der sowjetischen Industrieunternehmung" [Fixed Assets in Soviet Industrial Enterprise Accounting], Berlin, 1963.
 Werner Gebhard, "Bewertungsprobleme in der Bilanz des volkseigenen Betriebes" [Problems of Valuation in VEB Balancing], Berlin, 1962.
 Wolfgang Foerster, "Rechnungswesen und Wirtschaftsordnung" [Accounting and the Economic System], Berlin, 1967.

28. Dieter Graichen et al., op. cit., p 229.
29. GB1, Part I, 1983, No 23, pp 236-239.
30. GB1, Special Issue, No 1124 (to be published in the first quarter of 1984), in: GB1, I, 1983, No 25, p 248.
31. "Important Notice," in: GB1, I, 1984, No 16, p 200.
32. "Guideline for the New System of Economic Planning and Management," GB1, II, 1963, No 64, pp 469-470.
33. Ibid., p 473.
34. Ibid.
35. See Gerd Leptin, "Die Anlagen im Rechnungswesen..." op. cit., pp 90-91.
36. See A. Beljakow, "The Revaluation of Fixed Assets in the USSR," DEUTSCHE FINANZWIRTSCHAFT, No 2, 1961, p 55 (abridged and revised translation of an article by Belyakov in VESTNIK STATISTIKI, No 10, 1960).
37. O. A., "Necessity and Significance of the Fixed Asset Revaluation," DEUTSCHE FINANZWIRTSCHAFT, No 1, 1963, p 5.
38. Regarding the legal regulations on valuation, see Werner Gebhard, op. cit., pp 58 ff.
39. Wolfgang Foerster, "Rechnungswesen und Wirtschaftsordnung," op. cit., p 68.
40. ZVOB1 [ZIVILVERORDUNGSBLATT--CIVIL LAW GAZETTE], pp 148 ff, quoted from: Ibid.
41. K. U., "Fixed Asset Revaluation. Procurement Value--Wear--Prime Costs," PRESSE-INFORMATIONEN, No 27 (2446), 4 Mar 64, p 7.
42. Hans Arnold et al., "Oekonomik der sozialistischen Industrie in der Deutschen Demokratischen Republik. Lehrbuch" [Economics of Socialist Industry in the German Democratic Republic. Textbook], 5th ed, East Berlin, 1959, p 299.
43. Ibid., p 300.
44. "Necessity and Significance," op. cit.
45. K. U., "Fixed Asset Revaluation..." op. cit.
46. See Fred Matho, "Ware-Geld Beziehungen in neuen oekonomischen System" [Product-Money Relation in the New Economic System], East Berlin, 1965, p 85.

47. Claus Boltz et al., "Some Problems Concerning the Fixed Asset Revaluation and the Revision of Depreciation Rates," EINHEIT, No 8, 1963, p 39.
48. Ibid., p 38.
49. Hans Arnold et al., "Grundmittel, Investitionen, Produktionskapazitaet in der Industrie der DDR" [Fixed Assets, Investments, Production Capacity in GDR Industry], East Berlin, 1967, p 31.
50. GB1, II, 1961, No 4, p 34.
51. See "What About the Fixed Asset Revaluation?" DEUTSCHE FINANZWIRTSCHAFT, No 10, 1963, p F 6.
52. On revaluation, see also Manfred Melzer, "Fixed Asset, Production and Employment in Industry in the GDR Area from 1936 to 1978 and Estimate of the Future Supply Potential," DIW--BEITRAEGE ZUR STRUKTURFORSCHUNG, No 59, 1980, pp 20 ff.
53. Headword "Umbewertung der Grundmittel" [Revaluation of Fixed Assets] in: "Lexikon Rechnungsfuehrung und Statistik" [Dictionary of Accounting and Statistics], East Berlin, 1974, p 466.
54. See "What About the Revaluation of Fixed Assets?" op. cit., p F 6.
55. See Kopffleisch, "The Revaluation of Machinery," DIE WIRTSCHAFT, No 6, 11 Feb 1963, p 18.
56. Decree on the Preparation of Proposals Concerning Revision of the Fixed Asset Depreciation Rates in the State-Owned Economy, GB1, II, 1962, No 87, pp 753 ff.
57. GB1, Part II, 1964, No 14, pp 118-120.
58. Ibid., pp 120-121.
59. GB1, III, 1964, No 19, pp 197-201.
60. See Horst Frase, "Some Results of the Fixed Asset Revaluation and the Depreciation Rate Revision," DIE WIRTSCHAFT, No 10, 9 Mar 1964, p 6; Hans Jueren Hurtig, "What Did the Fixed Asset Revaluation Accomplish?" DEUTSCHE FINANZWIRTSCHAFT, No 6, 1964, pp 6-7.
61. Fred Matho, "Ware-Geld-Beziehungen..." op. cit., p 87.
62. See also Wolfgang Foerster, "Rechnungswesen..." op. cit., p 117.
63. See Erika Maier et al., "Zur Preisplanung in VVB und Betrieben" [Price Planning in VVB [Associations of State-Owned Enterprises] and Enterprises], East Berlin, 1968, pp 7-8.

64. Hans-Juergen Hoeffner, "Utilization of Value Categories in Fixed Asset Valuation," WISSENSCHAFTLICHE ZEITSCHRIFT (Hochschule fuer Oekonomie Bruno Leuschner Berlin [Bruno Leuschner Institute of Economics]), East Berlin, No 2, 1977, p 94.
65. Ibid.
66. See Manfred Melzer, op. cit., pp 26-28.
67. See Hans-Juergen Hoeffner, op. cit., p 94.
68. Regarding the problems concerning price indices, see Manfred Melzer, op. cit., pp 33 ff.
69. GB1, No 70, 1971, p 605.
70. See Arno Donda, "Some Theoretical and Practical Aspects of Further Improvement of Economic Planning," in: "Zu theoretischen und praktischen Problemen der weiteren Vervollkommenung der Planung der Volkswirtschaft entsprechend den Beschlüssen des VIII. Parteitages der SED" [Theoretical and Practical Problems Concerning the Further Improvement of Economic Planning in Accordance with the Resolutions Adopted at the Eighth SED Congress], (Fourth Conference of the Economic Research Council, 9 Feb 73), East Berlin, 1973, p 94.
71. Headword "Umbewertung der Grundmittel" [Fixed Asset Revaluation] in: "Lexikon der Wirtschaft. Rechnungsfuehrung und Statistik" [Dictionary of Economics. Accounting and Statistics], East Berlin, 1974, pp 466-467.
72. See "State Reports from 1976 to 1980," DIE WIRTSCHAFT, No 29, 1974, Supplement, p 2.
73. GB1, 1975, Special Issue No 800.
74. Fred Matho, "Industrial Pricing Promotes Intensification," EINHEIT, No 9, 1975, p 1014.
75. "Grundfragen der sozialistischen Preistheorie" [Basic Problems Concerning Socialist Price Theory], East Berlin, 1977, p 126.
76. GB1, Part I, 1976, No 24, pp 317 ff.
77. See Hans-Juergen Hoeffner, "Utilization of Value Categories..." op. cit., p 98.
78. Ibid., p 101.
79. Ibid.
80. Ibid.

81. Ibid.
82. Ibid., p 99 (regarding these problems, see also Addendum).
83. Kurt Matterne and Siegfried Tannhaeuser, "Die Grundmittelwirtschaft in der sozialistischen Industrie der DDR" [Fixed Asset Management in GDR Socialist Industry], 3rd revised ed, East Berlin, 1982, p 282.
84. Ibid.
85. Ibid., p 285.
86. See "Komplexe Planung der Grundfondsreproduktion" [Complex Planning of Fixed Asset Reproduction], East Berlin, 1982, pp 18-19, 40-41.
87. See G. Forbig et al., "Betriebsstatistik" [Managerial Statistics], East Berlin, 1983, p 131.
88. See GB1, I, 1982, No 3, pp 85-92.
89. See Kurt Erdmann, "The New 1980 Price Basis. Changes in GDR Statistics," FS-ANALYSEN, No 6, 1982, pp 18-19;
Hans Knop, "Karl Marx on Intensified Reproduction in Socialism," WISSENSCHAFTLICHE ZEITSCHRIFT (Bruno Leuschner Institute of Economics), East Berlin, No 3, 1984, p 13;
Michael Buechner, "Some Theoretical Problems Concerning the Development of Material Economy During the Transition to Comprehensive Intensification," WIRTSCHAFTSWISSENSCHAFT, No 8, 1984, p 1143.
90. See Kurt Erdmann, "Economic and Managerial Conceptions in the GDR Between Necessity to Reorganize and Indifference Toward Reform," in: Kurt Erdmann et al., "Die DDR-Wirtschaft unter dem Zwang von Engpaessen und Instabilitaeten" [The GDR Economy under the Dictates of Bottlenecks and Instabilities], Part II, Eighth Symposium of the Forschungsstelle [Research Center]; papers on 19 Nov 82, pp 29-33.
91. See Kurt Matterne and Siegfried Tannhaeuser, op. cit., pp 515-516.
92. See Kurt Erdmann, "The New 1980 Price Basis," op. cit., pp 27-29.
93. See Section III, 1 of the present study.
94. Dieter Graichen et al., "Sozialistische Betriebswirtschaft. Lehrbuch" [Socialist Management. Textbook], 4th revised ed, East Berlin, 1980, p 295.
95. Gerhard Heske, "Messung des Produktionswachstums" [Measuring Growth of Production], East Berlin, 1984, p 113.
96. See Dieter Graichen et al., "Sozialistische Betriebswirtschaft," op. cit., p 295.

97. Manfred Braun and Gerhard Richter, "Cost Accounting as Reflected in Social Requirements. Fred Oelssner's Contribution to the Theory and Practice of Cost Accounting," WIRTSCHAFTSWISSENSCHAFT, No 12, 1983, p 1819.
98. Regarding changes that took place after the present study was signed to press, see Addendum.
99. Regarding changes that took place after the present study was signed to press, see Addendum.
100. Kurt Matterne and Siegfried Tannhaeuser, op. cit., 3rd ed, 1982, p 287.
101. See GB1, Part I, 1984, No 16, p 200.
102. E.g., fixed asset profitability, fixed asset quota, fixed asset intensiveness.
103. See ibid., pp 288-292.
104. In mid-December 1984, the GDR published a new inventory decree (GB1, I, 1984, No 33, pp 402-411). See also Addendum of the present study.
105. Wolfgang Gress, "Focus the Economy's Investment Capacity on Comprehensive Intensification," PRESSE-INFORMATIONEN, No 147 (5385), 14 Dec 84, p 2.
106. Ibid.
107. Ibid.
108. Helmut Schieck, "Theoretical Problems and Practical Experience in Regard to Further Implementation of the Economic Strategy in Agriculture," WIRTSCHAFTSWISSENSCHAFT, No 9, 1984, p 1290.
109. Ibid.
110. As to state organs and institutions, see Ministry of Finance Guideline of 10 March 1971--Fixed Asset Accounting.
111. See GB1, Special Issue, No 800, 827.
112. Regarding calculation of the accession rate, the used fixed assets purchased abroad are to be handled in the same way as accessions of new assets.
113. Regarding calculation of the replacement rate, the fixed assets retired and sold abroad are to be handled in the same way as asset reduction through damage, dismantling and scrapping.

114. See Decree on Accounting and Statistics in Enterprises and Combines of 20 June 1975 (GB1, Special Issue, No 800) and the Decree on Accounting and Statistics in Socialist Domestic Trade of 22 January 1976 (GB1, Special Issue, No 827).
115. See Decree on Accounting and Statistics in Enterprises and Combines of 20 June 1975 (GB1, Special Issue, No 800) and the Decree on Accounting and Statistics in Socialist Domestic Trade of 22 January 1976 (GB1, Special Issue, No 827).

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CSO: 2300/538

ECONOMY

HUNGARY

FINANCE OFFICIAL ON PLANS FOR PERSONAL INCOME TAX

Budapest FIGYELO in Hungarian No 45, 7 Nov 85 p 3

[Interview with Dr Laszlo Bekesi, deputy minister of finance, by Katalin Forgacs: "Uniform Personal Income Tax System: More Equitable Sharing of Tax Burden--Uniform Appraisal--Wage and Price Reform--Without Wage Regulation--More Effective Social Welfare Policy--Linear Contribution to Retirement Pension Fund"; date and place of interview not specified]

[Text] Those who earn under 200,000 forints will pay a somewhat more modest personal income tax in 1986 than they do this year, while the progression of tax rates increases slightly in the higher income brackets. After these quantitative changes of a technical nature, the spadework of more sweeping tax reform will proceed. We asked Dr Laszlo Bekesi, deputy minister of finance and head of the Economic Policy Subcommittee entrusted with developing the uniform personal income tax system, about this. Does this work group consider settled the question of whether a new-type income tax system must be created, or does the group also regard the definition of goals as its task? What can the economy expect if we switch over to this new form of taxation?

[Answer] To begin with, I would like to make clear that the majority of issues we now discuss are still undecided: we live in a process of crystallization of plans, projects, ideas. A definitive standpoint has not been adopted yet. I can nevertheless say that--as is evident from the recent displays of this government--economic reform must continue, and modification of the tax system will probably be an integral part of it. However, we have still not decided when the change will take place, and experts are now discussing the details.

[Question] Getting back to the definition of goals: up until now, it has often been suggested in publications that the uniform personal income tax system is expected, more than anything else, to "reduce income differences which are disproportionate to work performed," i.e., society's sense of justice, though still somewhat vaguely defined, will be asserted more forcefully...

[Answer] What we hope for, naturally, from the introduction of a new tax system is a sharing of the general tax burden somewhat more commensurate with income

than it is at present. But by no means is that the primary goal. Now would be a good time, by the way, to rid ourselves of certain illusions about this matter. A substantial share of truly exorbitant incomes is invisible and indeed illegal. "Apprehending" them is a task for criminal investigators, not for the tax system.

What society can first and foremost expect from tax reform is a uniform appraisal of earnings and expenditures in all sectors of the economy: the tax system will finally be sector-impartial, and performances will accordingly become comparable. In the current tax system, namely, the tax burdens fall on the enterprises, and these tax burdens are right now so great that we in turn are forced to use special judgment. At the same time, the tax imposed on individual businesses differs to a great extent depending on the organizational form, which, among other things, creates the opportunity for the acquisition of incomes which differ in the socialist and nonsocialist sectors.

[Question] A tax schedule based on gross income would not automatically reduce the wage burdens of enterprises, because greater wage expenditures would appear in place of them.

[Answer] We do not intend to reduce the enterprises' tax burden merely by introducing a uniform personal income tax system. We will transform the tax structure within the framework of a sweeping tax reform which will simultaneously change income regulation through introduction of a personal income tax and price regulation through an increase in the importance of a sales tax, perhaps a kind of value-added tax. The latter modification would substantially reduce the net-income content of producers' prices. As far as a tax schedule based on gross income is concerned, we are of the opinion that everyone must first certify net wages. The enterprises obtain a certain freedom of movement to develop the compensation of net wages on an individual basis.

[Question] It is often inadvisable to introduce such far-reaching changes. Are there additional elements to this package of measures?

[Answer] As I said, I can make no statement for the time being about definitively settled issues, only about gradually crystallizing principles. But one of the unconditional principles is that we are free to introduce the uniform personal income tax system only in the framework of a more general arrangement, because the system is not sensible in itself. There is a need for wage and price reform, for a change in earnings and income regulation, and introduction of the uniform personal income tax system can occur within this framework. Without an alteration in the four fundamental mechanical elements I mentioned, the uniform personal income tax system would become merely a technical procedure, and so the measure would make no sense.

According to our designs, the mechanical modification of certain tax rates would not occur this time. Rather, the assessment of expenditures and labor input and the entire system of personal interest should be radically changed; the degree and place of origin of net incomes must be reorganized. We have to create harmony between prices, wages/earnings, and income regulation. Consequently, we are not planning an isolated personal income tax system modification but rather a sweeping tax reform in the framework of which we could switch over to a value-added type of taxation in the enterprise sphere.

[Question] Is it also a fundamental principle that with introduction of the uniform personal income tax system the wage fund regulation must be ended?

[Answer] Absolutely. The whole thing would otherwise make no sense.

[Question] Wages must be differentiated in order to stimulate better performance, but the leveling off must be entrusted to taxation, and the uniform personal income tax system seems suitable for this. But is this tool suitable for "keeping a firm hand" on incomes and for regulating demand?

[Answer] The main reason for bringing price regulation up to date would be to have a proper assessment of national expenditures and net incomes. In the present situation, namely, the cost relations of various economic forms differ from one another to no small degree because the use of labor input is assessed dissimilarly. Regulation of demand would in effect become a function of the price mechanism... Naturally, the tax system will not be able to shoulder the tasks of regulating demand.

[Question] There is fear that in the midst of economic shortages this will cause unfortunate problems...

[Answer] Nowhere in the world is there a perfect system of macroeconomic management, nor do we attach such illusions to the new tax system. We hope that at the moment of introduction--it is unlikely for a year or two--we can in effect emerge in a market buildup, and then we can expect the price mechanism to fulfill certain income-restricting functions. But since it is a matter of economic shortages, we must invariably take into account that in a given case the state has to resort to special management tools. Nor is it out of the question that the state will later restrict a part of the domestic demand, though this would not be desirable under the circumstances of the new system, because what we basically expect from the uniform personal income tax system is a redistribution of income.

[Question] How will the position of the three owners of income--the state budget, the enterprise sphere, and the population at large--develop under the new tax system?

[Answer] Our starting point is that we will introduce the uniform personal income tax system together with a modification of the enterprise tax system, probably in the form of a value-added tax. In this case, the degree of concentration of enterprise incomes would be reduced at the moment of introduction, i.e., the net incomes of enterprises would increase. The reorganization would also affect the economic functions: fewer tasks would devolve on the budget. As far as the population at large is concerned, its total net income would decline somewhat, but its gross income would increase in the wake of a more effective social welfare policy. Local income would increase radically in accordance with place of residence; local self-government and social welfare policy, which takes regional needs into account, would also gain strength. It must be stressed that among the population at large the tax burden will increase only for those who have relatively high earnings and where the earnings derive from several sources.

[Question] The Hungarian wage system has been a so-called nonpayment system for 40 years now, i.e., wages do not include funds for purchasing a dwelling. To what degree will the planned wage-and-tax reform solve this problem?

[Answer] Let there be no mistake about it: we are planning a tax reform, not a revaluation of the forint. The question of what kind of expenses we take into account in wages would be inseparable from placement of the forint currency on new foundations. So the inclusion of realistic dwelling expenses in wages cannot be solved in a single step. At the moment of introduction of tax reform, when there is a tax schedule based on gross income, the net wages per person do not change, but the net earnings would remain unchanged only on the average. The extra burdens due to tax concentration appear in the second and third incomes. It must be understood that in a certain sphere and thus on the average the tax burdens of the population at large will increase slightly. On the other hand, it is our firm intention that savings for dwelling purposes be deducted from taxable income.

[Question] How would the tax reform be linked to social welfare policy? Was consideration given, for example, to a negative income tax, to family taxation? And since the number of children is the biggest income-differentiating factor, how would allowance be made for it?

[Answer] In examining the connection between the personal income tax and the social insurance system, the unequivocal starting point is that these regulatory fields have independent and easily separable tasks. It would be wrong for us not to distinguish between the responsibilities of tax payments and social insurance payments, i.e., if we collected them in one sum. Then again, neither is the current practice good which operates the contribution to retirement pension fund with a progressive schedule of rates, thereby to a certain degree taking over taxation's role in shaping income ratios. The contribution to retirement pension fund must be made proportionate, or linear, to income; by so doing, it is brought into harmony with the old-age pension, which is likewise directly proportionate to income.

The problem in connection with income policy is that every income from which a contributory deduction occurs must be made into the basis of social welfare provisions. Making allowance for incomes over 10,000 forints in a degressive way must be stopped.

The projected schedule of rates and the relation between incomes serving as the basis of social insurance and the actual social services must be framed in such a way that in the long run the state can undertake to preserve the allocation of social welfare services at an advanced level.

Making the allocation of social insurance provisions the basis of assessment requires a tax schedule based on gross income. Accordingly, the scale of retirement pay and disability allowance must be fixed so that the tax bracket can be built in without reducing the real value of the provisions.

To sum up, we want to introduce an impartial tax system which we can run separately from social welfare policy, i.e., mixing the two domains is undesirable. It follows from this that we do not plan to introduce a negative income tax. Everyone pays taxes according to a uniform schedule of rates and--depending on his rightful claim--can share in social welfare benefits. For the time being, we want to introduce personal, not family taxation, although it would undoubtedly

be justifiable if the tax system took into consideration how many individuals the taxpaying citizen supports.

[Question] Alongside introduction of the uniform personal income tax system, the social insurance system must obviously be modified as well.

[Answer] No decision has been made on that yet. Social insurance should presumably become more similar to systems of an insurance nature.

[Question] How are earnings from property taken into account in taxation?

[Answer] The planned tax system takes only current income into account. We can tax each piece of property, or asset, only when it is converted into money.

[Question] Two especially sensitive areas are agriculture and the income from interest payments...

[Answer] As far as agriculture is concerned, here we must proceed very cautiously in order not to terminate certain activities. But it is generally undesirable for a tax system to be restrictive. At the same time, however, it is impossible to imagine a tax system which would distinguish among income owners according to the nature of their activities. If someone earns an income of 100,000 forints, then it makes no difference what activity the money stems from: the tax must be impartial. A considerable field of play opens up, however, in determining assessable income: what kind of expenditures must be given special consideration in agriculture. We will obviously take advantage of this opportunity. As far as the taxation of income from interest payments is concerned, it would be premature to predict anything. It, too, figures among the questions to be examined.

[Related boxed item, p 3]

What Is the Uniform Income Tax Like?

The following principles have crystallized during analytical work done so far.

The obligation to pay a uniform personal income tax covers all earnings of every citizen who has income. The system for measuring tax deductions through a universal and uniform tax assessment system supports uniform demands with respect to each taxpaying individual. Exceptions occur only in a narrow circle, for example, in the case of activities taxed with items of taxation.

When the basis of assessment is being determined, the taxable earnings derived from various sources must be considered jointly. In the interest of contraction, the social welfare benefits must be raised to a degree identical with the income bracket for tax deduction. Fixed-rate forms, or forms determined on the basis of sales revenue, must be converted into taxable income.

Introduction of the new tax system does not affect the overall real-wage level. It is reasonable to exempt certain yearly income units from taxation.

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ECONOMY

HUNGARY

CONSEQUENCES OF NO INCOME TAX NOTED

Budapest FIGYELO in Hungarian No 45, 7 Nov 85 p 3

[Article: "Personal Income Tax or Something Else"]

[Text] "Those who live on wages and salary apparently pay no income tax," writes Andras Brody in an article entitled "Incentive and Alienation" in the May 1984 issue of VALOSAG. The "zero" tax rate restoring the vile and feudal tradition of "the Hungarian noble pays no taxes" discarded the hard-fought-for (bourgeois) welfare achievement of progressive taxation. Of course, the safety valve was thereby lost with which it might be possible, after a fashion, to keep a tight hold on earnings which are undeserved or which "scamper away" for various reasons. Utterly lost was the opportunity to be able to solve, simply and flexibly, the specific social welfare problems which crop up in connection with socioeconomic change. (From then on, every social welfare benefit--maternity grant and childcare aid, rent allowance, meat price differential, and who knows what else--had to be checked, verified, administered, etc, separately. I maintain that the supplementary administration which has thus evolved took and takes up more public worktime than the "zero tax" liberated in the tax offices.)

"Because a certain degree of alienation must still be proved, however, this taxation can assume no form other than regulation of wages themselves. This regulation has taken a peculiarly summary form in the necessary system--regarded as bad--of wage fund regulation.

"By virtue of the precepts of wage fund regulation, the enterprises' sphere of activity was very restricted in practice. The enterprises cannot--or can only to a very reduced degree--adequately compensate the workers for occasional surplus output. The result of this is that the enterprises are annually forced to readjust norms in order not to exceed the approved limits of the wage fund.

"What could the economy offer, on the basis of economic considerations, to someone who provided surplus output? If the worker produces twice as much, then he also creates twice as much new value. If in turn he receives twice his pay, he would still double the value transferable from him and would make it possible for the administrator he supports to receive twice as much pay and to be able to spend twice as much for common goals.

"But on second thought, it is likely that the assessment of just a moment ago is only the lower limit of the payable sum, because the twofold production is accompanied by the better use of machines and buildings and by the constancy of a large part of the general expenses. As a consequence of twofold output, the new value at least doubles but in practice grows faster than that. There would thus be room for a relative increase in administrative expenses, if this is by no means unavoidable. If, however, the curtailment must increase faster than this, it is still better to procure the money for these expenses through a progressive tax and even through inflation than to nip surplus output in the bud by wage fund regulation and institutionalized readjustment of norms."

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ECONOMY

HUNGARY

EXPORT OF ROLLER BEARINGS TO INCREASE

Budapest FIGYELO in Hungarian No 45, 7 Nov 85 p 9

[Article by Istvan Garamvolgyi: "Export of Roller Bearings"]

[Text] The Hungarian Roller Bearing Works (MGM) is the only representative of the domestic bearing industry, and thus its basic task is to meet domestic needs. During the last 5 years, it has steadily and dynamically increased its convertible-account exports, the value of which rose from \$7 million in 1981 to \$10.2 million in 1984.

For this year the company had planned total export sales worth \$10.5 million, but following an increase in orders during the year, it undertook exports worth an additional \$1 million. And since the fulfillment of this is virtually guaranteed by the unusually good rate of exports--during the first half of the year, \$5.8 million was realized from convertible-account exports which had risen to \$11.5 million--it can be stated that during the period of the sixth 5-year plan the company increased convertible-account exports by much more than 50 percent.

Modernization and Competitiveness

The technical-economic reasons for this are the following. The company's technical modernization was completed at the start of the 1980s. The investment of 3.6 million forints not only increased factory capacity by roughly 10 million units a year and brought production equipment up to date, but at the same time it also modified the product structure in favor of quality and competitiveness. Indirectly indicative of this is the fact that MGM manufactured 250-400 types of bearings in the years before modernization, but by 1985 this product assortment had grown to approximately 1,000 through the development and improvement of bearing types which satisfy new and more fastidious demands. (The manufacture of 15 new products began during the first half of this year, among them 5 nonstandard roller bearings which meet the special requirements of convertible-account markets.)

From the standpoint of competitiveness the exports are, of course, decisive and positive proof of satisfactory quality and flexible accommodation--the technical foundations for which were laid by modernization--to market demands. Up until the start of the 1980s, the number one market for MGM convertible-account exports was the Federal Republic of Germany. The chief customers were automotive firms to whom the Hungarian company shipped bearings for direct installation. Because

of a change in motor vehicle models, the share of exports to the FRG has declined, and the main market for MGM convertible-account exports during this plan period has been the United States, where previously Hungarian bearings were scarcely sold. In the interest of increasing sales and exports, a nonstandard roller bearing measured in inches had to be designed. This year more than a quarter of the company's convertible-account exports--to the tune of approximately \$3 million--end up in the United States; the consumers are manufacturers of motor vehicles and electric motors. (There has been no success in reaching the direct installers; the customers are firms which circulate technical articles.) MGM's important partner is still Zasztava, which installs the Hungarian products as productive components. The company sells about half the convertible-account exports on many markets, partly in advanced capitalist countries such as France, Italy, Austria, and the FRG, and partly in a few developing countries.

Condition for Use of Capacity

MGM's capacity was 18-20 million units a year prior to the start of modernization; the investment in a product structure different from the previous one increased capacity by roughly one-third. The domestic demands in the considerably spread-out product structure did not make it possible to utilize capacity appropriately, and a powerful increase in foreign-market sales became the condition for full-scale use of capacity. The dynamic increase of convertible-account exports in recent years not only required the fulfillment of market--and from the company's viewpoint specifically technical--demands, but accommodations also had to be made for greater requirements in other areas of output and shipment. (The rhythmical shipment of an ordered quantity at prescribed dates; it is often a fixed condition in the contract that MGM is obliged to keep in stock a 1-month supply of the partner's needs in the form of finished goods.) It can be attributed to modernization that parallel with a rise in output and in the technical level of products the company's foreign-market sales also improved. The latter also has a hand in the fact that during this plan period in the midst of a production increase the ratio of convertible-account exports nearly doubled; it rose from 13-15 percent to about 28 percent.

MGM's merits and performance in dynamically increasing convertible-account exports are not diminished by the fact that they were helped by administrative activity. MGM, namely, is not only a manufacturing company but since 1965 the owner of a bearings administration. Since 1968, it has also been a capital equipment marketing enterprise for roller bearings which derive from imports and domestic production, an enterprise which in addition to distributing goods sells them to small-scale consumers through its own network of stores in the larger cities and elsewhere through the shops of its commission agent, the Miscellaneous Industrial Article Enterprise. (The major consumers, the first installers, take part in surgical operations.) In the tasks of its capital equipment marketing enterprise, MGM must also make allowance for the interests and requirements of the national economy. The Hungarian economy annually uses about 8-9,000 types of bearings, a smaller share of them as productive components (by emplacement in the end products of machines), a larger share of the assorted types as spare parts for maintenance, generally in imported products. As a manufacturing enterprise, MGM sells nearly half its annual production on the domestic market; this covers roughly 80 percent of productive use and about 50 percent of maintenance use.

Bearings Balance Sheet

In the second half of the 1970s, our convertible-account and ruble-account foreign trade balance showed a deficit for bearings: imports were roughly twice as great as exports. After the completion of modernization, the increase in MGM's dependence on exports and the national economic task stemming from the capital equipment marketing function became interknit, and MGM undertook to balance the foreign-trade scales in bearings through a dynamic increase in convertible-account exports. The commitment stemming from the capital equipment marketing function in all probability powerfully influenced MGM's export efforts and ambitions--more powerfully than the material interest. (Incidentally, our convertible-account and ruble-account foreign trade in bearings is jointly approaching a zero-balance situation in 1985.)

In any case, the lesson presents itself in retrospect that the greater development of each background-sector industry is sensible and beneficial not only for the consumer but also, as the MGM example shows, for the national economy. (Balancing the convertible-account trade in bearings contributes to an improvement--compared with the earlier situation--in the balance of foreign trade.) From MGM's viewpoint the lesson of the development has a plus-minus value: the growth of convertible-account exports is a positive thing, and yet the doubling of the export share--today it is already a proportion of one-third--is a negative thing in the sense that there is now no stoppage or retreat in the company's development. In the midst of paying off loans taken out for modernization, the company which is developing dynamically in the sixth 5-year plan must find sources of additional investment in order to preserve its competitiveness.

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ECONOMY

POLAND

WORKERS POLLED ON LABOR PRODUCTIVITY

Warsaw ZYCIE WARSZAWY in Polish 30 Oct 85 p 3

[Article by Krystyna Sonntag: "Firsthand Opinions"]

[Text] The press is inundated with discussion on a subject which could be very generally defined as: working the Polish way. The participants in the discussion say that the production results achieved do not measure up to the outlays; they discuss the lack of worker discipline, the quality of execution, and the low productivity.

What do workers think and say about their work? Sociological research conducted at the end of last year by the Enterprise for Social Studies at the Institute of Machine Industry Organization, permitted us to gain firsthand knowledge of these opinions.

274 employees directly working in production and in the so-called indirectly productive divisions responded to the questionnaire in several Warsaw enterprises of the metallurgical and machine building industries. Only a few people declined to express their own opinion. The majority believed that one must speak, because in this way there is a chance of changing the circumstances conditioning their work productivity.

How Time Slips By

The basic condition for raising productivity, in the opinion of the workers, is to eliminate losses in work time.

One of the questions in the questionnaire concerned the most important causes of these losses at work places. These were enumerated as follows: machine breakdowns caused in general by their high degree of exploitation, imprecision in the technological preparation of tasks, lines in the enterprise cafeterias, insufficient supplies of raw and other materials and their poor quality, lack of functioning equipment and tools, and trouble with internal transport. A certain percent of the respondents also pointed out time losses caused by poor functioning of the enterprise health service and the lack of clarity in the supervisors' orders, with which is connected also insufficient information about how the ordered task ought to be executed.

The causes of the time losses were similar everywhere. The frequency of their occurrence, on the other hand, was evaluated differently. The greatest agreement in the opinions expressed in enterprises of a different degree of technology, varying level of organization, and economic productivity, concerned the state of supplies in raw and other materials. It was agreed everywhere that irregular supplies to work places are directly connected with the efficiency of their functioning.

The differences in the views could be observed in the evaluation of the technological level of the preparation of the tasks. In the opinions of workers who achieve higher productivity and have better work conditions (more efficient machines), and also have higher qualifications, the degree of criticism on this subject was much higher than that of their less skilled colleagues.

The set of causes influencing the intensity and efficiency of work is influenced by a variety of conditions. In conversations, workers emphasized that they realized that part of those conditions was due to the crisis situation and difficulties with which the whole economy was struggling. Thus it did not depend on the efficiency of managing a certain enterprise or department. But the so-called objective difficulties, in their opinion, by far do not exhaust the list of sins negatively influencing work productivity. After all, technological sloppiness, which had already been pointed out, can hardly be included in that category. Likewise, the imprecise orders of superiors resulting in production disturbances and attesting to the low qualifications of a part of management. The same with the lines in the cafeteria or at the doctor. These complaints have a very specific address. They are proof of the critical evaluation of the cadre policy in enterprises and of the organizational state of its particular links. They also say much about the way of functioning of enterprises in which a loss of many scores of minutes of efficient work, caused for example by poor functioning of the cafeteria, does not count as an economic loss. If it were not so, managers would find a way to improve the functioning of this weak link.

Who is Bothered by What at Work

The list of matters disturbing good work does not exhaust the subject. What workers had to say in answer to the question: "What does the level of productivity depend on?" is also interesting. Thus, in the opinion of the respondents, the following factors have considerable influence on the productivity achieved at work places: personal input and willingness to work, the good functioning of machines and equipment, and the state of health and well being resulting from the work environment and also conditioned by the difficulties of daily life. The respondents, moreover, pointed out the dependency on material supplies, the obligatory standards, and quality demands.

On the other hand, there was no similar unanimity in the evaluation of the influence of such factors as the workers' professional qualifications, the possibility of receiving appropriate pay for a greater effort, the demands put forward by the superiors, the professional qualifications of the managers, and the productivity of coworkers from the same work brigade.

How are these differences distributed among the opinions? Workers with better professional preparation believe that qualifications are of basic significance for the achievement of desired results. They ascribe a similar role to material incentives. On the other hand, workers with lower qualifications are of the opinion that work productivity depends in the main measure on their superiors and on how much they demand and obtain from their workers. What is interesting is that they place the importance of pay incentives lower.

One could say that the first group of workers stakes more on the conscious involvement in the work performed as the source of good results. The second group starts with the assumption that good work can only be achieved when there is a set of stern disciplinary actions.

This difference of opinions depending on the level of the workers' qualifications and their aspirations also occurs in their evaluation of the influence of the professional skills of the superiors on the results obtained by the work crews. People better prepared for their profession, who have a broader view of the diversity of the conditions determining the level of productivity, appreciate their great role, tying it with proper work organization and the ability to use the workers' talents.

Does the criticism applying to the organizers and in general to the method of management of an enterprise, refer also to one's own self? A decisive majority of the respondents views its own work crew very highly. They all, in the opinion of Emilia Pankonkowska, the director of the research, believe that their work input is high, and in any case, does not diverge from the productivity of the work crew. Eighty percent of the respondents are convinced that they work no worse than the others; namely, well. It is, however, characteristic that with such a good opinion of themselves, resulting from self evaluation, only a few assert that they definitely exceed the average level. There were also very few people who said straight out that they work worse than others. One can say that it is easier to throw a stone into somebody else's garden than to attempt an honest evaluation of one's possibilities and intentions. And this will probably be somewhat true.

An employee often works in such a way as the conditions created by the employer allow him. These conditions are far from perfect. They also cause a reduction of the feeling of personal responsibility for the work performed. The conviction that an employee could better perform his duties if his work was better organized, if he had efficiently working machines, appropriate materials, and the certainty that his work input would be better paid, was widespread.

ECONOMY

POLAND

CASE STUDY ON WORKER PARTNERSHIPS EXPLORED

Warsaw ZYCIE WARSZAWY in Polish 30 Oct 85 p 3

[Article by Krystyna Gasiorowska: "Night Spinners"]

[Text] How much do they get for one night shift? It differs. From one thousand to three thousand, and 1700 on the average. Maybe for other professions these are pennies, but for them, spinners on maternity leave, they are a significant financial injection of money. So they go to work every Saturday and Sunday night, unless something unforeseen happens at home.

In any case no one asks why they did not show up. Their work norm is eight hours, from ten at night till six in the morning. Since many of them commute to the factory from places as far away as several tens of kilometers from Torun, they are at work much before ten o'clock. They go the factory straight from the train. The machines are ready so it happens that they start an hour earlier. They try to use the time to a maximum. After all they are paid by the kilogram for the yarn they produce.

In this way, the economic teams in the Torun "Merinotex" work. There are fifteen of them, made up of mothers on maternity leave. They work nights, on Saturdays and Sundays when the machines in the plant are free. Their husbands remain at home with the children.

When at the end of 1983 the decree of the Council of Ministers' allowing the creation of economic teams in "Merinotex" came out, it was decided to experiment. The condition was that the work would be outside regular hours and would provide additional production for the market. The regulations defined that the money paid to the team would be included in the production costs of the enterprise and would not be subject to the State Vocational Activation Fund (PPAZ). Nor would the workers' pay be taxed. Theoretically, the experiment is advantageous both to the enterprise and to the people employed by the team.

The first economic teams were created in the spinning mill and among the doublers, that is, where the final production takes place, and where until now there were bottlenecks.

You Asked For It...

Benedykt Lejawka, the dispatcher of the doublers and the manager of the functioning team says that he has had enough. "For a year and a half I have not had one Saturday or Sunday free. I have survived because I am single but I do want to get married. Obviously one needs money, but at what price? My earnings are not a secret. Here they are: as a dispatcher of the doublers, I earn 20 thousand zloties a month, plus three thousand from the incentive fund. On the economic team, I get 130 percent of the average wage--that is, about two thousand zloties a night, which multiplied times eight nights is 16 thousand zloties.

An economic team is really an enterprise in an enterprise. The head of the team signs a contract with the director of the enterprise for the functioning of this firm and bears responsibility for it. Therefore, Benedykt Lejawka, every night and on Saturday and Sunday, supervises the work of the people and at the end of the month pays their wages. At that time he takes all the printouts from the computer, which he keeps in several binders, and spreads them out on the floor in his apartment. He checks whether the computer made the correct calculations, how much everyone worked and earned. An error can occur and must be corrected. After all, the team members, after each night, carefully note how much they earned and what they should be paid.

At the end of the month, Benedykt Lejawka takes an appropriate amount of banknotes (several hundred thousands) from the enterprise cashier and puts them in a safe which he keeps in the room. At night he pays. He is a cashier, bookkeeper, manager, personnel chief, safety inspector, storeroom clerk, and God knows who else. Moreover, he must be healthy as a horse. He cannot be sick because there is no replacement.

After the Sunday night's work, everyone goes to sleep and Benedykt Lejawka must come to work in the morning as the dispatcher of the doublers. What does he do then? He takes off about 1 AM and goes home for a few hours to sleep. He requested such a "work system" at the preliminary meeting with the members of the economic team. On 31 March 1984, before 10 PM, all the directors appeared on the production floor and the work in the new system began with a great ceremony. Benedykt Lejawka was presented as the manager, but he said he would agree to be one only under the condition that on Sunday he would not work with the team throughout the night. And for the past year and a half, he has suffered it.

Why did he agree to be the manager of the new economic team? Simply because the head of production used a psychological trick on him. He told him that if he wants, they will put in his place a certain retiree who was known rather as a disorganizer of production. Because of this he agreed, but any day now he will give notice.

Clutching at Straws

The head of the spinning mill, Stanislaw Stanclik, said that economic teams were the last chance for "Merinotex" because of high absenteeism and turnover among women workers. Therefore, when the opportunity came about to create the teams, the management eagerly set to work. They wrote 200 letters to mothers on maternity leave with an invitation to a meeting. 60 showed up. They described to them what was going on.

Currently, the spinning mill team numbers 200 people. Last year, thanks to their work, 350 tons of yarn were made, which accounted for 5.5 percent of the whole production of the enterprise. In the current year, already 370 tons. This is it, there is no more raw material. For next year, therefore, the plans are to make 500 tons of yarn in economic teams.

In the first year of the experiment, the teams were treated as stopgap measures. The plan could not be fulfilled, additional production was necessary. Thanks to the teams, last years' plan was saved. 350 tons of yarn means 300 thousand suits, according to Stanislaw Stanclik's calculations.

The teams unburdened the work crew which no longer has to work all the time. People employed during regular work hours became more disciplined, seeing that they were replaceable. Formerly, every half productive person was needed. Now, no more. "I have even ordered a revision of personnel in the spinning mill," says Stanclik. "Loafers will be shifted to other tasks." The work crew initially was unsympathetic to the night guests, fearing the destruction of the machines and envying them their earnings. Now things have calmed down. People know that they themselves can work on such a team.

Productivity on the economic team is about 50 percent higher than on normal shifts. This, however, as the manager of the spinning mill admits, is illusory productivity, because production is perfectly prepared. While the team works, there is no repair of equipment or change of assortment. Thus there are no intermissions reducing productivity.

Director Bernard Rawluk, whom everybody says came up with the idea for this type of work at "Merinotex," jokingly says that such a team is built like a car. When there is fuel, it works at full speed. When there is none, it holds at zero.

A Stellar Idea

When last year I wrote about economic teams, there were only 50 of them in the country. Now there are 400. It turns out that the idea for their creation was not so unrealistic as it seemed to some opponents of work in this system. The original decree of the Council of Ministers specified that economic teams can be created only in state and cooperative enterprises producing for the market. Now, however, various other service units, budget units, research units, and the like, are interested in this form of work.

Recent government decisions allow the possibility of creating economic teams in various work places which do not have to produce concrete goods, but can, for example, carry out repairs, services, make scientific-technical designs, etc. The only condition is that work be performed outside regular time on equipment that is not being used.

In the situation of our economy, when every additional production or service counts and people need money, it is undoubtedly a very useful form of earning. I will repeat, however, what I wrote a year ago: People during regular work hours ought to produce enough so that there should not be a need to undertake additional work after hours.

12270

CSO: 2600/119

MILITARY

GERMAN DEMOCRATIC REPUBLIC

BASIC PARATROOP EQUIPMENT DESCRIBED

East Berlin AR-ARMEERUNDSCHAU in German No 10, Oct 85 (signed to press 20 Aug 85) pp 92-95

[Article by Lt Col Spickereit: "Safely from the Sky"]

[Text] The trainer's last searching glances are for the equipment. Then they march to the AN, the turboprop transport plane, hunch there on narrow folding seats: paratroopers of our National People's Army (NVA). Jump training is scheduled for today. High up there in the sky, the deep tone of a klaxon in the cabin will call the jumpers to action, they will step single-file to the wide-open hatch, and drop into the depths.

Quick and surprising leaps far behind the lines of the enemy's battle formation are the great advantage of this specialized corps. For this reason, landing training assumes central importance. In combat jumps, paratroopers carry with them, besides their jump equipment, also their weapons, protective masks, explosives, ammunition, rations, and other necessary articles. The parachute must bring these burdens, along with the soldier, safely from the sky to the ground. It reduces the speed of fall to around 5 meters per second. And it depends on the soldier's ability, whether he simply drifts with the 66-square-meter chute, or whether he can guide it so as to land in the planned location.

Each paratrooper must be completely familiar with the operation of his parachute and be able to pack it himself. Soldiers in the socialist defense coalition have parachutes whose devices permit a stable fall of some 50 meters per second immediately after a high-altitude jump, and before the chute is finally freed for opening.

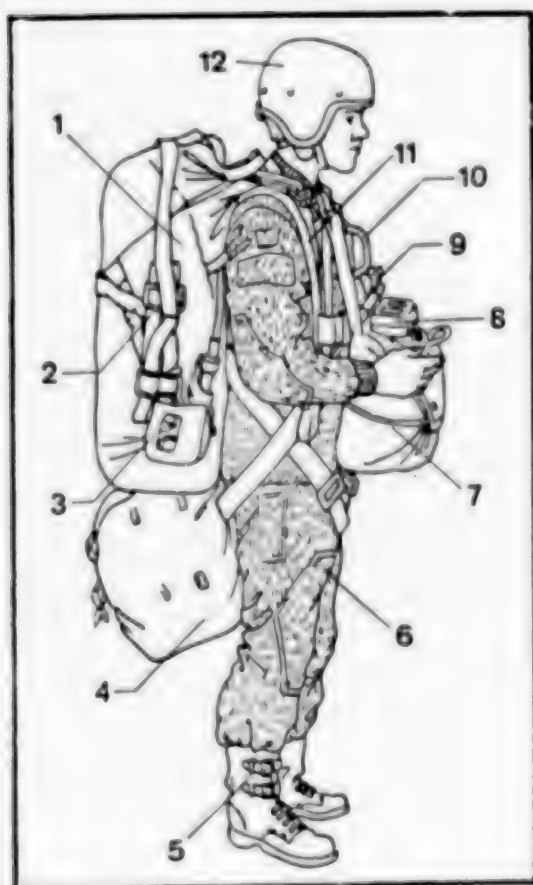
Round Parachute RS-9/2A: this is the designation for the chute now developed and produced for the NVA in the Seifhennersdorf parachute factory. Usable everywhere and reliable, it can be used for jumps with immediate and automatic opening as well as with stabilized fall. Its round body, sewn of olive-green polyamid silk and somewhat laced in at the edge, is held by 26 cords, each of which exhibits a shear strength of 180 kp, and permits a safe and swing-free descent. An RS-9/sA is good for up to 250 jumps.

Control maneuvers can be carried out by means of the guidance flaps and their symmetrically arranged opening as well as by means of the control and thrust lines. They permit a landing that is adapted to weather conditions and exactly

on target. The soldier, thus, can achieve a backward thrust with the chute that lets him land safely with the wind even with windspeeds of over 10 meters per second. On the other hand, he can position the chute so that the jumper gets a proper forward momentum of up to 3 meters per second.

In mass jumps the forward thrust is neutralized, and the chute is then only revolvable. The soldier can turn the body of the chute 360 degrees in 7 seconds. The RS-9/2A's opening system permits a minimum jump altitude of 60 meters with operating speeds of over 150 km/h. As a rule, however, jumps are made from altitudes above 300 meters. The harness is so constructed that the opening shock is evenly distributed over the entire body. The shoulder, hip, back and leg straps, the breast bar and the back cushion, among the rest, make this possible.

Again and again the paratroopers climb into the sky—to master control techniques, to employ the parachute skillfully as combat equipment, in order to use it to fulfill combat missions.



Key:

1. Main parachute
2. Opening hoist line
3. Opening device
4. Paratroop pack (ammunition, explosives, rations, medical equipment)
5. Jump boot
6. Field-service uniform
7. Emergency parachute
8. Instrument case with stopwatch and altimeter
9. Machine pistol
10. Handle for manual opening
11. Harness
12. Jump helmet

POLITICS

CZECHOSLOVAKIA

PATRIOTISM EQUATED WITH REVOLUTIONARY ZEAL

Prague RUDE PRAVO in Czech 28 Sep 85 p 1

[Unattributed editorial]

[Text] An infant is born and while being nursed he develops a relationship with his mother. He hears nursery rhymes and fairy tales used by parents to comfort their children for many generations. Gradually, the infant becomes familiar with life around him, learns the language and history of the nation of which he is a part, a nation in the heart of Europe occupying a land inherited from its ancestors. As the child grows older, his notion of the fatherland becomes more concrete as a home in which he lies with his parents, brothers and sisters, and grandparents to whom he is bound when he takes his first steps in life.

Emotional motives are joined with rational motives. In the first place, there is the understanding of history, a history which was and is a feud between progress and reaction. This feud has always had its own concrete form: in the history of the Czech and Slovak nations it is presented as a struggle between the people's revolutionary movement and the ideas of national resignation and passivity. Be it during the centuries following the Battle at the White Mountain or during the difficult trying times following the ignominious Munich Dictate and the tragic events of March 1939, the crossroads of our development were characterized by two attitudes: on the one hand, an attitude of revolution and participation, and on the other hand a reactionary attitude and a passive expectation of redemption. All this is also related to the attitude of the individual and society as well as the struggle for a progressive understanding of our national history.

When the people were seeking help or advice concerning the future, they always looked at their own history. One almost feels the urge to recall the period of national renaissance when our people built up their hopes from history while fighting national and social oppression. History also contributed to the growth of the resistance movement against fascism and fascist aggression. During the 1920's and 1930's and later during World War II, the revolutionary people's movement was linked with the Czechoslovak Communist Party which, enlightened by history and armed with scientific materialism, led the way to

fulfilling the old national and social desires of the Czech and Slovak nations and how to secure, permanently and reliably, the foreign political orientation of the republic.

The heroic struggle of the Czech and Slovak people against the Nazi occupiers and the subsequent years witnessing the transformation of the national revolution into a socialist revolution have remained a permanent source of the tremendous strength of our people. Under the guidance of the party which was a hero in this struggle, we have built a socialist system in our country which brought to the end social insecurity, the system of exploitation of man by man, and introduced a socially and nationally more equitable order. For this reason Zdenek Nejedly could truthfully point to the logic of history according to which the communists were the real heirs of the progressive national traditions.

At that time, following the liberation and the 1948 events, the patriotism of our people based on the highest ideals of international brotherhood and solidarity with the nationalities of other countries was characterized by modest and self-sacrificing work for the entire society in order to quickly heal the wounds caused by the occupation and to create the resources for the further development of the republic in the spirit of the deeply patriotic motto of the communists: More work for the republic -- that is our agitation.

The life of our country has evolved very much during the past 40 years. The character of large-scale industrial production has changed; economic progress has brought benefits even to those areas which some 50 years ago were still afflicted with poverty and sickness. The upgrading of life in the villages and in the cities is primarily the result of the introduction of cooperatives in agriculture on the basis of large-scale production.

However, there is among us a new generation which knows about these historic struggles only from books and stories. It is a generation to which the values of parents are taken for granted. And this generation also wants to leave its imprint on the history of our nation.

The schools and social organizations implant into our young adults a desire to know their own homeland, the country, the past and the present. The first teachers of any young member of our nation are, however, the parents who often play the most important role in the educational process. Are all parents making full use of this opportunity? The answer is both yes and no. There are parents who believe that they secure the best deal for their offspring when they recognize as worthwhile only a vacation abroad, only imported garments. And these parents are later surprised to find that their children, the personification of the hope of their lives an old age, the future of our nation, are ignorant about whether the Praded Mountain is located in Sumava, in the Tatras, or in the Jeseniky. Not to speak of their knowledge of folk songs and folk dances and old customs whose mission is to cement the ties among the people and between them and the place where they reside. Without knowing one's own homeland it is difficult to speak of one's love for one's country.

In comparison with the period 40 years ago, the class enemy in our country has been deprived of his material base. However, certain bourgeois and petty bourgeois features have not only survived but are reappearing as a new type of weed. This is connected with the psychological warfare waged against the socialist countries and thus also our own country by the international reactionary forces.

Love of our country certainly cannot and must not lead to our closing our eyes to our shortcomings, confusion, and imperfections. For a real patriot it is characteristic that he will not become reconciled with such a situation. On the contrary, he will try to remove these shortcomings, create order at this workplace, and improve his environment.

Love of our country begins and grows primarily in those places where we are creating our national wealth, where the people are really in charge of our country's economy, in charge of their workplace, in their homes, where they view the further development of our socialist society as something in which they have a stake and take an active part.

Revolutionary development is always characterized by a given period. However, its core is always the same: an active effort for social progress. This also gives meaning to patriotism, patriotism through deeds.

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CSO: 2400/48

POLITICS

CZECHOSLOVAKIA

GOOD NUTRITION NOT ALWAYS AVAILABLE

Prague HALO SOBOTA in Czech 28 Sep 85 p 10

[Article by zav.]

[Text] The article by Prof Engr Vladimír Petera, DrCs, entitled "The Other Side of Tasty Foods" (published on page 5 of HALO SOBOTA Nos 36 and 37 on 7 and 14 September 1985), brought lively response. Readers, in this instance primarily female readers, while agreeing with the presented principles of rational diet which contributes to the prevention of diseases of the hearts and arteries, also pointed to a discrepancy between this scientific theory and the situation that the consumer finds at the market.

"I think that our readers are sufficiently educated by now and know very well that they should eat more vegetables and fruits. However, the authors of these recommendations should take cognizance of the situation in our vegetable and fruit stores. They ought to address their suggestions to the proper places and have our stores stock up with these types of food," writes Jaroslava Horakova from Prague 6. "To learn one need not travel to foreign countries which the author of the above article lists as exemplary countries because of their high selection of foods and extraordinary high consumption of vegetables. It is sufficient, for example, to visit our neighbors in the GDR where we find a basically richer supply of vegetables of much higher quality.

"The press also promotes the consumption of foods rich in fibers. Tell us, however, where in our country we can easily buy the dark rye bread that is so highly recommended? True, one can buy a very tasty Kiev bread which is at least partially made of rye. However, you cannot get this bread everywhere. For example, it is not available in the entire Prague 6 district. If you want it you must travel to one of the exclusive baking goods stores in the center of the city. Thus, what should be a normal shopping trip becomes a shopping expedition.

"As far as the legumes are concerned, for years there have been no lentils and beans. It would probably also be a good idea to reintroduce to the market the grains eaten by our ancestors, namely edible buckwheat and millet.

"In order to maintain the recommended principles of rational diet it is absolutely necessary to have on the market a sufficient quantity of first

quality and inexpensive vegetables even in the afternoon hours. In this way, women returning from their work would not have to follow the unhealthy customs of our cuisine when preparing dinner.

Jarmila Sucha from Prague-Vokovice also sent us her opinion. She writes: "Certainly the majority of us would gladly adjust to the recommended diet especially greater amounts of vegetables and fruits. However, the prices of these products have been so high, especially this season, that a citizen with an average income was more or less forced to stick to the diet not recommended by the scientists because such a diet feeds him better for the same money. Those who grow vegetables in their own gardens are, after the initial investment, better off. Atlas, it is not our goal to make every citizen self-sufficient."

A female reader from Policka who wants to remain anonymous writes: "Do not think that I object to healthy diet. Not at all. I myself would wish very much that my children have everything they need for healthy growth. In my opinion, however, the vegetables and fruits, when compared with meat and other food items, are too expensive. And this is a determining factor with most people."

The author of the article "The Other Side of Tasty Food," Prof Engr Vladimir Petera, DrCs. wrote the following in response to the views of our female readers: "The readers point to an overall shortage of vegetables and the fact that vegetables are too expensive for a certain segment of our population. Vegetables and fruits represented 4.2 percent of the total agricultural production in Czechoslovakia in 1981 expressed in Kcs. One year later, the production increased to 6.6 percent. However, the share of the agricultural land set aside for cultivating vegetables and fruits is low in our country. It would be very desirable to increase this share. It is necessary to primarily raise the output at large-scale production centers equipped with modern production technology and distribution facilities permitting minimal losses of vitamins, especially vitamin C. These losses so far, especially because of the existing methods of growing, transportation, storage, etc., are unusually high. Small producers of vegetables and fruits even with their best intention, are unable to prevent huge losses during distribution. As far as comments concerning the prices of vegetables are concerned, this is also a question which must be solved by the pertinent ministries together with the wholesalers and the Price Office. However, it is necessary in the first place to see to it that we produce more vegetables. I would like to stress that vegetables are not inexpensive in foreign countries either. But in spite of that they are consumed in larger quantities. For example, in Japan the amounts spent for vegetable purchases represent an especially large proportion of the total food budget."

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POLITICS

GERMAN DEMOCRATIC REPUBLIC

SED ORGAN DETAILS, INTERPRETS BERLIN'S 750 YEAR HISTORY

East Berlin NEUES DEUTSCHLAND in German 14-15 Dec 85 pp 9-14

[Essay by a collective of historians led by Prof Dr Ernst Diehl, member of the SED Central Committee, deputy director of the SED Marxism-Leninism Institute: "750 Years of Berlin--Theses"]

[Text] These theses were commissioned by the GDR Committee on the 750th anniversary of Berlin in 1987 and composed by a collective of historians led by Prof Dr Ernst Diehl. Other members of the collective were Prof Dr Ingo Materna, Prof Dr Gerhard Keiderling, Prof Dr Hans-Joachim Krusch, Prof Dr Alfred Loesdau, Prof Dr Eckhard Mueller-Mertens and Dr Helga Schultz.

In 1987, Berlin is going to celebrate the 750th anniversary of its first documentary mention.

750 years of Berlin--three-fourths of a millenium in the changeful history of a town and its citizens linked with German and in many ways with European and world history. For centuries Berlin formed the stage for fierce conflicts between progress and reaction, between the forces of peace and of war. Berlin celebrates its 750th anniversary as the capital of the GDR, of the socialist German state in which peace is the supreme precept of national policy.

The founding of the GDR took place in Berlin. That was a turning point in the history of our people and of Europe. Molded by socialism and the workers and farmers power, the decades since became the most important chapter in its 750-year chronicle. As GDR citizens Berlin's working people became for the first time the masters over their own destiny. In setting up the GDR Committee on the 750 anniversary of Berlin, its chairman Erich Honecker, secretary general of the SED Central Committee and chairman of the GDR State Council, declared: "Under the leadership by the workers class and its party and through the co-operation with all allied forces, in 35 years of the GDR more was done and accomplished for a better and more meaningful existence of Berlin's citizens and their high material and cultural standard of living than in centuries of the city's past history. Never before was so much produced, built and reconstructed here as in our days, and never before was this done for the sole purpose of serving the well-being of the people."¹

While facing the future, socialist Berlin is yet rooted in the rich and manifold traditions of 750 years of history. Here are preserved the results of hard work and notable struggles by the working classes and strata throughout many centuries and the aspirations of progressive, democratic and humanistic forces and personalities, great achievements in culture, art and science, irrespective of their original social and class-bound ties. Yet primarily the city is entwined with the history of the Berlin working class and its revolutionary vanguard, the heroic and sacrificial struggles of which paved the way to our socialist present. Socialist Berlin documents the inevitable course of history as it embodies the definitive break with German militarism, imperialism and fascism, with all the dark sides of Berlin's past, which can no longer be reversed by anyone.

In full harmony with the essence in our era of the worldwide transition from capitalism to socialism, Berlin in the last four decades for the first time in its history became the point of departure and center of triumphant revolutionary changes on German soil. As the political, economic, scientific and intellectual-cultural metropolis of the GDR, decisive impulses emanate from it for the socialist development of our German workers and farmers state. In the struggle for socialism and peace in the heart of Europe, the development of Berlin at once became more and more the business of all citizens in our republic. The historic achievement the working class and all working people accomplished under SED leadership through the triumphant socialist revolution in the GDR becomes impressively evident by turning Berlin into the capital of our socialist fatherland and its growing international radiation.

For nearly a decade and a half, since the far-reaching decisions made by the Eighth SED Congress, Berlin's development has been marked by the course of the principal task with its united economic and social policies. Important material, social and intellectual-cultural advances in the life of Berlin and its inhabitants have been turned into persuasive evidence for the correctness and vitality of this people-related policy. They demonstrate the humanistic meaning of socialism and its values and advantages.

Thanks to the workers and farmers power and the industrious and creative work of its citizens, the name of Berlin enjoys a fine reputation today among the peoples, among many people around the world. Berlin, from where under imperialist rule two world wars emanated and whose name imperialist forces to this day seek to misuse to kindle perilous tensions, became the epitome of a consistent socialist policy of peace and international understanding and cooperation. This city today bears the honorific "city of peace." Fraternally and in the spirit of proletarian internationalism, Berlin and its inhabitants are linked with the Soviet Union and the other socialist states. The Berliners are committed to a cooperation with all peace forces in the world and to creating a coalition of reason and realism to thwart the dangers threatening all mankind from the most aggressive imperialist forces.

The 750-year anniversary of Berlin will bring together the Berliners with their friends from the fraternal socialist countries and from all over the world in looking back at history and ahead to the future by doing everything possible for strengthening socialism, for the happiness and well-being of all the people, for the safeguarding of peace and prosperity of this city and its inhabitants.

Berlin grew out of two independent municipal communities, Berlin and Coelln. 750 years ago, in 1237, Coelln was mentioned first and Berlin itself, in 1244. For centuries both communities formed a dual-town, but it became customary to refer to them simply as Berlin. Only in 1709 were they completely amalgamated together with three towns newly founded in the 17th century and called Berlin as a total entity.

Berlin originated not far from today's Marx-Engels Square on both banks of the Spree. For centuries Berlin's history would take place where today the center of the GDR capital is located.

Berlin originated in the developmental process of the feudal order in Central Europe. Around 1200, daring long-distance traders and merchants established outlets and commercial bases where Berlin and Coelln would later develop. Coming in from the Lower Rhine and Westphalian economic region, these forces of the rising municipal middle class sought to open up the Baltic region and its contiguous internal territories economically. Their settling in what was to become the municipal area of Berlin made it possible to bring Teltow--the plateau between the Havel, Spree and Dahme--and Barnim--the plateau between the Havel, Spree and Oder--into the trade with Northwestern Europe.

At that spot, the Spree marshes, narrowing down to 4 kilometers, were easy to cross. The Spree pass here was not dominated by any castle and was easily joint to an important army and commercial route near-by between the German and Polish feudal states. The activities of the long-distance traders and merchants took place within the feudal German eastern expansion. This brought with it established feudal political entities and the settling of feudal peasants, the setting up of markets and towns, and it promoted the development of the feudal mode of production in areas thus far settled by Slavs between the Middle Elbe and Oder. But when the first merchants settled at the Berlin Spree marshes and engineered the development of Coelln and Berlin into towns, at the end of the 1220's or the beginning of the 1230's at the latest, various rivals--the Ascanian Margrave of Brandenburg, the Wettins Margrave of Meissen, the archbishops of Magdeburg and also the Rumeranian dukes--vied for control over Teltow and Barnim.

In the struggles among the various feudal forces the Ascanians were able to enforce their supremacy over Teltow and Barnim until 1245. They granted Berlin municipal status between 1230 and 1250--the precise date has not been recorded. The Ascanian margraves fostered Berlin's development for political reasons. They provided the merchants with customs privileges and placed the development of the community under their tutelage. The town was expanded by another district at that time around the Nikolai Church and the dairy market. It was designed by a plan with a central market square and the Church of St. Mary. Now Berlin covered an area of 0.7 square kilometers. During the Middle Ages it reached a population of between 6,000 and 7,000 inhabitants.

The founding and rise of Berlin are marked by the achievements mainly of the big merchants engaged in long-distance commerce. Their families formed the patriciate and, as council dynasties, assumed the municipal government. The urban middle strata--craftsmen, middle and small merchants and tradesmen--

did possess citizen rights but were barred from governing the town. The plebeian strata—journeymen and apprentices, wage-earners and day-laborers, handy-men and servants, domestics and maidservants—were denied citizen rights or had them curtailed even though they made up more than half of the population. Members of the higher and lower clergy formed a small yet influential group. Berlin had a diocese and three parish churches and a Franciscan and a Dominican monastery with their own churches. Some Jews also were among the residents.

Berlin's development went hand in hand with the formation of the Hanseatic economic system. As a Hanse town, Berlin took part in the progressive function of that merchants and municipal association in forming an ever wider network of international commercial relations and placing the lands of the North Sea and Baltic regions into close economic relations with one another. The Berlin long-distance traders imported quality-cloth from Flanders and Baltic herrings—a principal food item—to the Brandenburg Marches. They organized the export of domestically grown corn to Flanders and Scandinavia. They benefited in this from the high productivity of the hamlets set up at Teltow and Barnim. The sovereign or the aristocratic or ecclesiastic landowners had to grant the peasants in those settlements inheritable property, personal freedom and fixed dues, all positions the peasants in the Marches would preserve in subsequent centuries. Berlin crafts¹ did not work for exports but confined themselves to provisioning the town and its rural environment.

The town of Berlin and its merchants acquired ample feudal real estate and court and other sovereign rights in the hamlets at its outskirts. Trade profits were invested in feudal income. That was done to such an extent that in the hamlets that later became part of the Berlin municipality middle class real estate exceeded that of the feudal class and the margraves. Members of the Berlin patriciate thus acquired a position much like feudal lords.

Becoming a municipality, Berlin assumed the status of a civic community with its own administration and legislative assembly. So it had from the outset rights and an autonomous political position in the feudal state that the citizens of many older German towns in the 11th and 12th centuries had gained in their struggle against the feudal rulers of the towns, in the commune movement. The Berliners extended that position through confrontations with the territorial princes. The town bought further rights and liberties from the sovereign. It came to grips with the margraves over their tax demands and the territorial policy. To be able to protect effectively the rights and liberties gained from infringements and law violations, Berlin formed leagues of towns with other towns and with chivalric formations on a corporate basis. As early as in 1280 Berlin became the center of a corporate movement against taxation by the ruler of the realm, in the early 14th century, the head of a league of towns in the central marshes. Berlin gained full urban autonomy and joined the "Inventory of sovereign towns," which Karl Marx rated as the "culmination of the Middle Ages."²

Social conflicts within the town spread along with it. Already late in the 13th century conflicts broke out between the ~~parish~~ council and the representatives of important crafts over the position of the ~~gilds~~. Conflicts between craft guilds, merchants and shopkeepers and unpropertied small burghers on the one side and the ruling patriciate, on the other, would time and again in subsequent centuries crowd the agenda of Berlin's history. They related to the membership of

the craftsmen and small tradesmen in the municipal assembly, the assembly's finance and tax policy, and the matters of running guild affairs on their own. Down to the end of the Middle Ages the plebeian strata did not yet take a position of their own in these struggles. Yet the cobblers and clothiers did set up organizations of their own in the 14th century already. As in the Hanse port towns, the guild movement, the middle class opposition against the patrician council rule failed to be successful because of the strong economic and political positions assumed by the long-distance traders.

Guild disputes and middle class opposition rebellions in Berlin related to similar events in other territories of the realm and became climactic more than once. That was during the rule of Emperor Ludwig of Bavaria (1314-1347), when the guild movement for the first time culminated in many German towns, and in the first half of the 15th century, when intra-urban conflicts sharpened and spread over the territory of the whole realm.

The extinction of the Ascanians 1319/1320 triggered feudal wars and conflicts among the rivaling princely houses of the Wittelsbachers and the Luxembourgers over the claim to the Brandenburg Marches and their being incorporated first under the sovereignty of Emperor Ludwig of Bavaria, then of Emperor Charles IV (1346-1378). Throughout these protracted conflicts the town sought to protect and expand its own political and economic positions. Allied with other towns, Berlin advocated territorial unity and public peace and secure legal conditions in the mark. After Charles IV had died in 1378, the Berliners resolutely carried on their arms struggle against the nobles' prevailing predatory and private feuds and the intervention from foreign princes. Those struggles demonstrated a self-assured Berlin middle-class that did not stoop to the noble knights but valiantly kept them in bounds. In the struggle for domestic and external public peace and through its active participation in overall territorial affairs, the dual town on the Spree became the leading municipality and the urban center of the Brandenburg Marches. It headed the middle mark league of towns and became important as the site at which mark assemblies were held.

Utilizing the economic and social developmental processes of the waning Middle Ages, many German princes in the 15th century sought to reinforce feudal sovereignty and set up territorial states to which the nobility and, especially, the towns were to become subordinated. With this princely policy the burghers of Berlin found themselves confronted when Emperor Sigismund (1410-1437) in 1411 appointed the Hohenzollerns to govern the mark, who then also soon became electors. Berlin and other towns in the mark supported the first Hohenzollern prince in the mark in cracking down on the robber knights or turning down sovereignty claims from foreign princes. Yet they also maintained their municipal autonomy and rejected tax claims with reference to it. Intra-urban conflicts in 1442 provided Elector Frederick II (1440-1470) with the opportunity, in an arbitration role, to curb Berlin's two centuries-old autonomy. Henceforth, being voted into the council would require confirmation by the sovereign, and Berlin had to renounce the judicial authority it had acquired in 1391 and the right of concluding independent alliances with other towns, and had to cede a building site for the elector's castle.

Berlin's population was incensed about the Elector's interference. It postponed inter-urban conflicts and rose under arms in the Berlin Indignation of 1447/48. It was not able, to be sure, to regain its old rights against growing princely might. Yet Berlin's resistance and its potential backing from towns in the mark and in the Hanse were so emphatic that the Elector did not dare cracking down militarily on the Berlin Indignation through penal proceedings. He accepted a compromise arbitrated by the estates in the mark with the council and the civic community.

In Berlin, the territorial principality in the realm for the first time achieved a striking success against municipal autonomy. That turned the Berlin Indignation and its failure into a striking event of an importance of national history in the struggles between princely power and the urban middle class in the 15th century. The Berlin events sent a signal to the German princes for how they should generally proceed against municipal autonomy in their territories.

Subdued in its autonomy, Berlin now had to let itself be incorporated in a territorial principality. This was painful and humiliating to this self-righteous burghers community in conflict with the feudal powers. Berlin's merchants attempted all the more to maintain Berlin's economic role as the leading trading town in the middle-mark. Yet even there they increasingly met with new tendencies already linked with the transition from feudalism to capitalism. They were confronted with new problems by increasing commercial activities mainly of South German merchants in the mark, the influx of cheap metal and textile goods from South German and Saxonian craft centers, the increase of craft enterprises in the countryside, and the nobility's getting into the grain trade in the mark.

Thus Berlin's situation changed considerably up to the end of the 15th century. When the Middle Ages came to a close, it, like most North German Hanse towns, no longer was among those that bocated an economic upswing. Confronted with the stronger principalities and while a central authority was absent, it, like many other towns, was unable to maintain its autonomy. In the fortress erected in the middle of the 15th century, the first one in town, the Hohenzollern electors took up their permanent residence since 1486. More and more the town began to grow into functions for the centralization and governing of the electorate of Brandenburg.

II

The historic events in and around Berlin in the 15th century indicated a ripening of an overall social crisis that would ultimately flow into the German early bourgeois revolution. The Reformation and the Peasants' War were among the events that initiated the transition from feudalism to capitalism. After the cruel crushing of the Peasants' War, the Elector of Brandenburg, as the princes in other German territories as well, used the Lutheran church reformation to expand his own rule. Conforming to the demand from the municipal middle class, the reformation was introduced in 1539 by order of the authorities. Thereby the sovereign acquired the supreme ecclesiastic power and all church property, including the real estate and income of the Berlin churches, monasteries and hospitals. The elector gained still other power positions in the town and strengthened the principles for the rule by territorial states.

More and more Berlin became the political, administrative, economic and cultural center of the territorial state. There the seats were found for the new official authorities, the supreme court, the privy councillor, the magistrate's office and the church council. To educate civil servants and clergy, the Grey Monastery gymnasium was set up in 1574 in the former Franciscan monastery, which enrolled pupils from far and wide. The printers Hans Weiss and Leonhard Thurneisser turned Berlin into a book printing center in the electorate.

New courtiers, clergy and civil servants increasingly composed the upper social stratum of the residence capital. The Berlin merchants who had lost their political and economic influence found that the court with its consumption of luxury items offered new chances for accumulating commercial capital. Through that residence they also found they could make up somewhat for the loss of the grain trade which the Brandenburg nobility, while expanding its estates, sought to monopolize. At the same time there was a growth in the scope and variety of the crafts in Berlin, attested by the founding of many guilds in the 16th century.

With the Thirty Years War (1618-1648) German as well as Berlin history hit rock-bottom. The elector's stance in these feudal power struggles was vacillating. Thereby he surrendered his land all the more to the looting troops of all sides. The burghers had to come up with immense payments and deliveries. At that, the demands from the Elector of Brandenburg exceeded those of the Swedish Army by multiples. In vain the burghers sought to keep the war remote from the town, to fortify it, and to prevent the militarily senseless burning down of the suburbs. At the end the residence capital had lost one-third of its inhabitants from the war, starvation and the plague. Amidst a devastated land, trade and the crafts were badly damaged and the whole development of the town had been pushed back greatly. It took a generation to overcome the consequences of that war.

The reconstruction of the town came under the aegis of the formation of Brandenburg-Prussian absolutism. While in England and the Netherlands the bourgeois order had already won, Elector Frederick William (1640-1688) and his successors in 1701 proclaimed in the kingdom of Prussia the shaken feudal system by politically emasculating the estates of the nobles and concentrating the political power in their own hands. At the same time, the reinforcing of the late feudal state implied an adaptation to progressive West European developments. In Berlin this was reflected more than in any other Brandenburg-Prussian town by a degree of promoting some bourgeois forces in commerce and crafts.

Brandenburg-Prussian absolutism was marked more by militarism than were other territorial states. Municipal administration, crafts development and public life were subordinated to the demands from the standing army. The Berlin garrison grew from a few hundred bodyguards around 1630 to circa 30,000 men in 1789, thereby forming one-fifth of the town's population. Recruiting, billeting and service (quartering) dues heavily burdened, above all, the plain people. To blunt the edge of disputes between the burghers and the military, recruiting was eventually outlawed and barracks were built.

The bellicose foreign policy of the Brandenburg-Prussian state kept subjecting the Berlin population to suffering and deprivations, even though the town itself never got drawn directly into combat operations. During the wars at the time of the Great Elector Frederick William and the three Silesian Wars under King Frederick II (1740-1786) inflation, starvation and epidemics overwhelmed Berlin. Mortality then repeatedly rose above 60 per 1,000 inhabitants annually, reaching the level of the worst of times in the Thirty Years War.

After converting to Calvinism (1613), motivated by power politics, in extending their absolutism the Hohenzollerns relied especially on reformed civil servants and court chaplains. A fierce opposition against it developed in Berlin that reached its climax in the 1660's. It embraced such diverse social forces as the Berlin craftsmen, protesting against the sovereign's tax policy, the noble estates and Lutheran orthodoxy. The noted poet of songs Paul Gerhardt belonged to it too, for which reason the Elector dismissed him as preacher at the Nikolai Church.

To consolidate the absolutist rule, the church policy of the Brandenburg-Prussian state was aimed at reconciling denominational antagonisms. So it made sense that the sovereigns turned to the idea of tolerance linked to the progressive ideas of the bourgeois movement of enlightenment and interpreted it in terms of their own interests. This became of practical importance above all in connection with the immigration policy of the Brandenburg-Prussian state which, typical of absolutism, was marked by the interest in economically efficient subjects. After the Edict of Potsdam (1685) circa 5,000 reformed Frenchmen, the Huguenots, were the largest cohesive group to come to Berlin, where they domesticated luxury crafts, new technologies and a refined lifestyle. In their French colony they enjoyed the privilege of their own citizen rights, and a relatively independent administration and judicature, and amalgamated but gradually with the Berlin citizenry. Not privileged and therefore more rapidly assimilated were some hundred Bohemian religious refugees who entered the town in the 1730's and made their living, above all, as textile craftsmen and workers. Since the 1660's already the rulers would bring in wealthy Jewish merchant families. The Brandenburg-Prussian absolutism used them to finance its court and army requirements and to encourage trade and monetary transactions for the sake of a high tax revenue. They were assigned economic tasks without being granted citizen rights.

As Brandenburg-Prussia increased its power, most evident through the acquisition of the royal crown and the conquests of Frederick II, the seat of the court became important as the capital. Berlin became the government center of a state extending from the Lower Rhine to East Prussia. Seated here were the central authorities, the Secret Council, the General War Commissariat and the General Finance Directorate, the last two combined in 1722/23 into the General Supreme Finance War and Domains Directorate (General Directorate). The administrative and juridical authorities of the electorate of Brandenburg also were in Berlin. The central and provincial authorities would soon assume the full supervision over the municipal administration through a municipal president and a police director. The "Town-hall Regimen" [Rathausliche Reglement] of 1747 ended the lengthy process of eliminating the civic administrative autonomy of Berlin, to which absolutism had subjected all the towns in Brandenburg-Prussia.

To be sure, after 1740 the royal capital lost some of its function as residence because Frederick II held court in Potsdam. Yet it gained international weight as the youngest and smallest big European power. That was primarily the consequence of the absolutistic policy of the late feudal state and had to do with its war policy; only secondarily did it follow from the development of Berlin's citizenry.

The population grew from barely 10,000 to 150,000 between 1650 and 1789. That turned Berlin into the second most populous city, after the imperial city of Vienna, in the "Holy Roman empire of the German nation." This was made up of some 300 individual political entities--kingdoms, principalities, duchies, counties and imperial towns. The most important influence on Berlin's population figure came from the state settlement policy which in the 18th century attracted a growing influx of newcomers from the Brandenburg surroundings, but also from areas more developed in the crafts in Saxony and West and Southwest Germany. In the decades after the Thirty Years War, new small towns were founded with their own municipal judicature--Friedrichswerder, Dorotheenstadt, and Friedrichsstadt. In 1709 they became amalgamated with Berlin and Coelln into the capital and residence city of Berlin under a municipal council.

While the other electoral towns suffered under the sovereign's tax pressure and the constriction of the domestic market as consequence of the peasants' disfranchisement through their second bondage, the capital and residence city derived advantages from the solidification of absolutism. That pertained mainly to Berlin's commercial and manufacturing bourgeoisie that began to form as a new social force. Many factories evolved in the textile and metal trade. The efforts of the commercial and manufacturing bourgeoisie were totally oriented to satisfying the needs of the court and the army. It largely assumed the financial risk of the Prussian military and war policy, received privileges and monopolies for it, and subordinated itself to the dictates of the absolutistic state. The class contradiction between the developing bourgeoisie and the late feudal state was covered up. Berlin's commercial and manufacturing bourgeoisie did not enter into political opposition to the feudal state.

To a smaller degree the Berlin crafts also profited from the expanded sales market offered by the court, the garrison and the bulging civil service. They grew much in numbers and achieved high trade specializations and skills. Since this was a favorable situation--compared with the perceptible crisis in the craft guilds in many other German towns--the Berlin master craftsmen accepted the subordination of the guilds to the state, as brought about by the guild reform of 1731, without much protest. The journeymen, however, slumping into the situation of wage-earners for life, vehemently and successfully fought for keeping their organizations alive, for higher wages and better working conditions.

Berlin increasingly became a city of factory workers. Their housing and places of work determined the appearance of the suburbs and of Friedrichsstadt. That also increased the poverty in the city. Crisis-ridden, factory production produced joblessness, hunger, epidemics and untimely death. Starting with riots in the gold and silver manufacture at the end of the 17th century, Berlin factory workers more and more frequently fought the consequences of exploitation and the deterioration of their subsistence. Their fights assumed increasing

vehemence with the strikes of the silk factory workers in 1775 and of the cotton printers and the haberdashers in 1783. In them the crucial class opposition of rising capitalism was articulating itself.

As the feudal capital and residence town, Berlin developed into an arts and science center that eventually gained importance above and beyond the territorial state.

With the arsenal [Zeughaus] and the new palace built around the turn from the 17th to the 18th century, baroque structures of European rank arose, mainly achievements by great masters like Johann Arnold Nering and Andreas Schlüter. In 1696 the Academy of Arts and Mechanical Sciences was founded, in 1700, the Academy of Sciences, the latter on the initiative of philosopher Gottfried Wilhelm Leibniz. Along with him there was the historian Samuel von Pufendorf at the Berlin court, who had a large share in the dissemination of the anti-feudal natural law in the German territories. Under the influence from the Halle Pietists, Berlin schools for citizens and the poor developed. Though attending school had become mandatory in 1717, illiteracy was not done away with until 1850.

Under the rule of King Frederick William I (1713-1740) the cultural function of the capital suffered serious reversals from the boundless militarization of life. But they did promote medical research and the training of assistant medical officers for the Prussian army at the Charité hospital established in 1710.

Frederick II who, like some other European monarchs, practiced an "enlightened absolutism," enlivened the Academy of Sciences and appointed scientists of international rank such as the mathematician Leonhard Euler. Splendid buildings went up which to this day dominate the panorama, such as the opera, built between 1741 and 1743 under Georg Wenzeslaus von Knobelsdorff, the first structure on the splendid forum of Unter den Linden, or the building for the royal library, founded in 1661, built by Georg Friedrich Boumann Jr. between 1775 and 1780.

In the last third of the 18th century, Berlin became one of the spiritual centers of the evolving bourgeois German nation. That was the joint achievement of Berlin's German, French and Jewish citizens. That went hand in hand with the formation of the intellectual stratum as a social one. Public lectures by Academy members and new teaching institutions paved the way to founding a university. In the French comedy house on Gendarmenmarkt and in the theaters at Monbijouplatz and Behrensstrasse, German, French and English classics were performed. The vibrations from the city came mainly from the Berlin Enlightenment, the leading figures of which, together with Gotthold Ephraim Lessing, were the author and publisher Friedrich Nicolai and the philosopher Moses Mendelssohn. The spiritual forum of the Enlightenment were clubs, literary salons and societies and their organs, BERLINISCHE MONATSSCHRIFT and ALLGEMEINE DEUTSCHE BIBLIOTHEK. Though much limited by its monarchistic loyalties, the Berlin Enlightenment did breathe a critical bourgeois spirit and sought to affect broader strata of the people across some segments of the middle class. It helped pave the way to the ideas of the French Revolution.

III

At the turn from the 18th to the 19th century, Berlin entered a new phase of development. In the course of it the feudal Prussian capital and residence town,

under the impact of the industrial revolution in England and the bourgeois revolution in France, and in the process of the bourgeois transformation, became the capitalist metropolis of Germany.

The French Revolution (1789-1795) found ideological and intellectual-cultural response in the Berlin middle class, especially among the intellectuals. Among the working classes and strata, mainly among the factory workers, social unrest was spreading, indicated by the strike of the weavers in the summer of 1794. Even so, Prussia's capital for the time being remained a bastion of the European counterrevolution.

The upbeat for a turn toward social progress only came from the crushing of the Prussian army, the occupation of Berlin in October 1806 by Napoleon's troops and the peace of Tilsit in 1807. They sealed the collapse of the old Prussian state and hastened the disintegration of the feudal system. The "Holy Roman empire of the German nation" ceased to exist in 1806. In that situation Berlin became a center of the patriotic movement against alien rule and anti-feudal aspirations that went with it far above and beyond Prussia. Closely linked with Berlin's history are the Stein-Hardenberg reforms of from 1807 to 1813. Their stipulations--such as the liberation of the peasants from serfdom, the reintroduction of municipal self-government, the abolition of restrictions in industrial life, the emancipation of the Jews and the reform of the army and of the educational system--started the bourgeois transformation process in Prussia. They set the crucial prerequisites for the successful War of National Independence in 1813/14. Berlin, with its first municipal assembly, elected by the propertied bourgeoisie, i.e. a small minority of the population, got a limited self-administration in 1809. In 1810, the university was founded in the capital. The best representatives of the Berlin middle class, among them patriots like Ernst Moritz Arndt, Johann Gottlieb Fichte, Karl Friedrich Friesen, Wilhelm von Humboldt, August Wilhelm Iffland, Friedrich Ludwig Jahn, Heinrich von Kleist, Adolf Wilhelm von Luetzow and Daniel Friedrich Schleiermacher, set role models through their political, intellectual and military efforts.

In the outcome of the Congress of Vienna (1815) another temporary stabilization of the semi-absolutistic-bureaucratic government in Prussia occurred. Nonetheless, the capitalist mode of production could no longer be halted. What with the founding of the first machine construction plants, like those of G. C. Freund and F. A. Egells, trade and technical associations and schools (Christian Peter Wilhelm Beuth), in Berlin also elements of the industrial revolution evolved in the 1820's. This process, that went into full swing in the 1830's and lasted till the 1870's, transformed the city into a center for capitalist factory production. It first led to the expansion of the machine construction and metal industry, evolved the clothing industry, developed transport, mainly by railroad, and led to commerce, banking and finance in entirely new dimensions.

First slowly, but since the 1860's at an accelerated rate, the natural sciences developed in Berlin, whose tie-in with modern industrial branches began to become characteristic then of Berlin's economy in the last third of the century. The medical faculty in the university became a center of natural science research and reorientation for medicine and public health. The natural sciences (Alexander von Humboldt) and medicine (Christoph Wilhelm Hufeland), philosophy (Georg Wilhelm Friedrich Hegel) and literature (Achim von Arnim, Clemens von Brentano,

Adalbert von Chamisso, Ernst Theodor Amadeus Hoffmann, August Wilhelm and Friedrich Schlegel, Johann Ludwig Tieck, and then Willibald Alexis and Adolf Glasbrenner), architecture and the visual arts (Eduard Knoblauch, Christian Daniel Rauch, Gottfried Schadow, Karl Friedrich Schinkel, Friedrich August Stueler, the young Adolph Menzel), theater (Ludwig Devrient) and music (Albert Lortzing, Felix Mendelssohn-Bartholdy, Carl Friedrich Zelter), the salons of Henriette Herz and Rahel von Varnhagen, and the circle around Bettina von Arnim increased Berlin's national importance as a city of the sciences and the arts.

At Berlin University, Karl Marx studied from 1836 to 1841, first jurisprudence and then philosophy and history. Friedrich Engels took care of his military service in Berlin in 1841/42 and then audited at the university, above all philosophy courses. Both took an active part in the intellectual and political debates in the circle of the Young Hegelians and advocated revolutionary-democratic positions.

In the industrial revolution, simultaneously with the industrial bourgeoisie the proletariat formed into a class. It was made up of journeymen in the crafts and factory workers, ruined petty bourgeois and rural proletarian and peasantry strata. Many of them had moved in from towns and villages in Brandenburg and eastern provinces. That also included many Poles. Urban expansion and development made headway. The antagonism of the spreading capitalist exploiter system showed up first in the contrast between splendid villas and the first miserable blocks of apartment houses.

The formation of industrial capitalism and the emergence of the workers class went hand in hand in Berlin also with boundless exploitation, bitter mass misery, and the political and intellectual oppression of the toiling masses--including women and children. Workers, journeymen and apprentices rose in 1830 and 1835 against despotic rule and oppression and demanded liberty and a constitution. With the cotton workers strike of 1844, the first specifically proletarian class struggles and organizations surfaced: the Berlin working men's club as the first legal, the league of the just, as an illegal organization of the Berlin workers. The efforts of Karl Marx and Friedrich Engels, their establishing scientific communism and forming the Communist League, had a direct impact on the Berlin labor movement which became increasingly self-reliant and self-assured.

The bourgeois transformation in Germany reached its climax in the bourgeois-democratic revolution of 1848/49. For the first time Berlin turned into a focal point of revolutionary class struggles of national and European importance. The rebellion by Berlin workers, artisans, petty bourgeois and students on 18 and 19 March 1848 was a visible signal for the revolution in German states.

The Prussian king had to withdraw his troops from the city and bow at the palace before the ones killed in the revolution. The young Berlin workers class had met its test at the barricades as a resolute champion for democracy and social progress and suffered the biggest sacrifices. The pledge from the victims of the revolutionary struggle, among them the young worker Ernst Zinna, who were buried at the cemetery for the ones killed in March in Friedrichshain, remained alive in progressive Berlin. New Workers organizations were formed, the workers brotherhood with its leaders Friedrich Ludwig Bisky and Stephan Born and the chapters of the League of Communists, organized by August Haetzel.

Confronted with the revolutionary-democratic demands and operations by proletarian and petty bourgeois class forces, in Berlin also the bourgeoisie hid behind the shield of the Prussian military state, betrayed its own democratic principles and now sought the implementation of its class interests with the help from semi-absolutistic power organs, directed against the workers class. In spite of its defeat, the 1848/49 revolution is among the greatest progressive events in German as well as Berlin's history.

The years after the crushing of the revolution were marked, for one thing, by political reaction and the permanent efforts by the Prussian military state at repressing bourgeois-democratic and, above all, proletarian political and social movements and aspirations. On the other side, the capitalist economy developed with factories like those of A. Borsig, F. A. Pflug, L. Schwartzkopff, Siemens & Halske, and F. Woehrlert. "From a stiff parade ground it has turned into the busy center of German machine building," as Karl Marx wrote about Berlin in 1859.³ A rapid industrial upswing, the founding of new banks, the emergence of corporations and organized capital mergers in the chamber of industry and commerce, the extension of the railway, waterway and road networks, the territorial expansion of the city and its continued urbanization turned Berlin into the most important German metropolis.

Suppressed and persecuted, if unbroken, the Berlin workers class carried on its struggles for democratic rights and liberties and social progress, against police terror and bourgeois tutelage, and for having its own independent organization throughout the reactionary period. In the early 1860's the workers' clubs more and more evaded the influence of the liberal bourgeoisie which, through the Progressive Party, gained increasing influence in the city's political life. The General German Workers Association that Ferdinand Lasalle founded in 1863, the efforts of Wilhelm Liebknecht and of the Berlin section of the First International, the spreading of Marxist ideas all the way to the attendance by Berlin delegates of the Democratic Workers Society of the Eisenach Congress of the Social Democratic Workers Party in 1869, as well as the more broadly developing trade union movement, documented the upsurge in Berlin's workers movement in the 1860's. It grew strong while struggling against the "blood and iron" policy of the Prussian state and the anti-democratic inclinations of the haute bourgeoisie.

IV

With the proclamation of the German Empire in 1871 on French soil, in Versailles, Prussia's capital Berlin became the capital of the empire. All the contradictory features characterizing this bourgeois national state were reflected in its metropolis. As the seat of the imperial Prussian state authorities controlled by the Junkers' bourgeois class interests and as the largest German garrison and barracks city, it remained a bastion of German militarism. At the same time, delegates of the liberal bourgeoisie were predominant in the new city-hall, municipal council and city assembly. Particularly, Berlin profited from the elimination, by and large, of the territorial-political fragmentation and from the empire being constituted as a big capitalist power. It became its political, economic and scientific center, a city with more than one million inhabitants (1877). It became increasingly the stage and focal point of German and international events. It gained international weight and impact.

Its new function made Berlin truly become a metropolis, not only in the sense of being a center of capitalist rule, but mainly also as a city with big industry and that meant as a city of labor and of the working class.

The rapid productive forces development that was typical of a whole number of capitalist countries in the last third of the 19th century proceeded most impressively in Berlin. That was due to the connection of capitalist factory production with transportation and communication and science and technology and showed up prominently in the new industries--electrical engineering, chemistry, foodstuffs and luxury items. Processes typical of the transition to imperialism, such as the concentration and centralization of production and capital, the growing influence of the Berlin stock exchange and the big banks--Deutsche Bank, Disconto-Gesellschaft and Berliner Handelsgesellschaft--the formation of such monopoly enterprises as Siemens and AEG characterized the Berlin economy at that time. Territories adjacent to the metropolis more and more came into the sphere of Berlin's influence, mainly through industries moving to the outskirts, which made hamlets and estates grow into towns. There began the rapid development of the western outskirts as the bourgeoisie's preferred residential area and the destruction of traditional urban districts, by creating a capitalist city with government quarters, branches of banks and insurance companies, newspapers and publishing houses, corporations and department stores, restaurants and hotels.

Berlin's capitalist development by leaps and bounds and that of its suburbs also pushed the development of the proletariat ahead which in numbers became the strongest class of the rapidly growing population. Increasingly subjected to more and more intensive forms of exploitation, it carried on in concentration, and often under the most miserable conditions, in the miserable apartment houses of Berlin East, Southeast and North, and in towns like Lichtenberg and Rixdorf (Neukölln). The modern industrial proletariat, the skilled, politically progressive and committed, class-conscious Berlin worker, increasingly defined the city's character. As in hardly any other German big city, the antagonistic contradiction between capital and labor stood revealed here.

In dispute of principle with the military state and the haute bourgeoisie, and in the struggle for merging the Eisenachers and the Lassalleans into the Socialist Workers Party of Germany (Gotha 1875), the revolutionary labor movement became a social power factor in Berlin. It was constantly subjected to oppression and persecution. Fighting against Bismarck's anti-socialist laws (1878-1890), the Berlin workers class gained a leading position in the overall national class struggle. It achieved remarkable success in combining legal with illegal forms of struggle. Despite the notorious Prussian three-class franchise, five socialists were for the first time elected city deputies in 1883. Chaired by Paul Singer, that faction developed diversified and fruitful communal policy efforts on behalf of the Berlin working people, from which strong impulses emanated that affected all the social-democratic communal policy throughout the empire.

When the anti-socialist laws were defeated, which also constituted a triumph of the ideas of Karl Marx and Friedrich Engels, Berlin became the center of the German Marxist workers movement. The central party and trade union organs now had their seat there. Berlin's VORWAERTS became the central party organ, and Marxist literature was published and disseminated at increasing numbers. The Berlin party organization developed, through the personal dedication of August Bebel,

Wilhelm Liebknecht, Paul Singer, Ignaz Auer and others, into the backbone of the revolutionary German social democracy. Since the Reichstag elections of 1887 it became the party with the strongest constituency in the imperial capital and gained mass influence in the struggle against big capital and militarism. The workers' culture developed with the Volksbuehne and the workers' education school. Berlin became the point where leaders of the international labor movement would meet. "This is the focal point of the labor movement," Friedrich Engels declared after visiting Berlin in 1893.⁴ Vladimir Ilych Lenin first came to Berlin in 1895 and till 1914 was nine more times in Berlin. He studied the experiences in the struggle of the German labor movement and met with top leaders of the German social democracy. He and his fellow-comrades in producing and disseminating illegal literature for the struggle of the Bolshevik party found support from German revolutionaries.

Berlin became a city of science and technology, culture and the arts, of international rank. The idea of the "large enterprise of science," formulated at the Academy and the University, increasingly became reality in the modern institutes of the university and the technical college and, especially, at the research institutions such as the Physikalisch-Technische Reichsanstalt and later (after 1911) at the Kaiser Wilhelm Gesellschaft. In laboratories of the large enterprises of electrical engineering and chemistry a new type of industrial R&D was about to be born. With the altogether high level of its many artisan, crafts, technical schools and colleges, Berlin had won a top position in the empire and in comparison with other capitalist industrial countries.

Scientists and artists worked in the field of tension between reaction and progress, imperialist ideology and bourgeois-humanistic positions. Hermann von Helmholtz and Gustav Robert Kirchhoff, Max Planck and Albert Einstein, August Wilhelm von Hofmann and Emil Fischer, Wilhelm Julius Foerster and Walther Nernst, Rudolf Virchow and Robert Koch, Eduard Buchner, Emil von Behring and Paul Ehrlich, Theodor Mommsen and Adolf Harnack accomplished internationally significant achievements in Berlin. Outstanding literary and artistic works came from the old Theodor Fontane and the young Gerhart Hauptmann, the left expressionists around the journals AKTION and STURM, and Max Liebermann and Walter Leistikow, Lovis Corinth and Max Slevogt. Closely linked with the working people of Berlin was the work of Hans Baluschek, Kaethe Kollwitz and Heinrich Zille. With the Philharmonic and conductors like Hans von Buelow, Ernst von Schuch, Richard Strauss, later Arthur Nikisch, and the Deutsche Theater directed by Otto Brahm and Max Reinhardt, Berlin's position grew as a significant music and theater town. Entertainment, the circus and the cabaret, as well as the cinema, found a solid place in the city's cultural life. Peter Behrens, Ludwig Hoffmann and Alfred Messel placed noteworthy architectural accents on the image of the city.

The metropolis, severed by severe class antagonisms, became the feeding ground for many reform attempts by bourgeois-liberal and petty bourgeois forces. Not a few of them, for reasons of social empathy, Christian ethos or other bourgeois-humanistic motives, endorsed certain social and political demands of the workers class without recognizing it as the force that would determine the future.

When imperialism evolved at the turn of the century, Berlin became the center of German finance capital and the fulcrum of imperialist war preparations. The polarization of the two main classes of capitalist society became most striking

in Berlin. Monopoly power allied itself with the imperial militarist regime. The contradictions inherent in capitalism evolved to the fullest in the "imperial city" and new ones developed as well. From its own metropolis German imperialism watched its policy of sharper reaction within and forcible expansion outside. Here the plans were made and the arms were cast for the struggle over the repartitioning of the world for the benefit of German imperialism. In its political and ideological war preparation German imperialism relied on entrepreneur associations, bourgeois-nationalistic and junker-militaristic propaganda and mass organizations, educational and cultural institutions, members of the clergy, and influential organs of the monopolized press, equipped with modern technology, all being concentrated in Berlin.

The Berlin workers movement sponsored many operations against imperialism and the war danger, for peace and for the democratic and social rights and liberties of the toiling masses. They gathered and organized their strength and grew in breadth. Within the social democracy, which united in 1905 in Berlin and surroundings as a unified party organization, had some 120,000 members by 1914, and got 75 percent of the votes at the 1912 Reichstag elections, the proletarian and the bourgeois class lines were formed.

Berlin became the center of the German leftists around Karl Liebknecht, Rosa Luxemburg, Franz Mehring and Wilhelm Pieck. Proceeding from a revolutionary, internationalist class position, they conducted a heroic struggle against imperialism and militarism. As a Berlin city deputy, Karl Liebknecht resolutely championed the interests of the Berlin workers from 1902 till 1913. He also raised his voice for the rights of the working people in the Prussian House of Delegates (1908 till 1916) and as Reichstag deputy in the Potsdam-Spandau-Osthavelland election district (1912 till 1916).

With powerful mass demonstrations and protest actions in Treptower Park and in the Tiergarten, in the Humboldt Hain and in the Hasenheide, against the reactionary three-class franchise, against inflation and misery, the arms policy and imperialist war preparation, Berlin's workers fought against the reactionary imperial-imperialist regime. Doing so they worked together with bourgeois-pacifist forces, such as the German Peace Society, founded on Bertha von Suttner's initiative in Berlin, and with the Democratic Association. Opportunism and centrism, however, subverted the Berlin social-democratic party organization, so that the SPD had become incapable of revolutionary leadership for the workers class when World War I broke out.

World War I revealed the essence of imperialism, as deeply hostile to the people. Death and dismemberment for tens of thousands of Berliners, misery and exploitation in the bone grinders of the armaments industry, hunger and invalidism for hundreds of thousands, especially during the notorious "turnip winter" of 1916/17, on the one side, extreme profits and a brutal exercise of power by the armaments capital, on the other—that is what the imperialist war was like. The state monopoly war economy was organized right from Berlin. From no other German city, however, came such emphatic impulses for resolute struggle against the imperialist war and its active support by the right-wing social-democratic leaders. The Marxist leftists formed the active nucleus of the anti-war movement. In 1915 they joined in the "International" group, in 1916, in the Spartacus group, and organized with the revolutionary shop stewards and leftists in the USPD and in

conjunction with bourgeois pacifists actions that would lead to a revolutionary termination of the war. The anti-war demonstration by Berlin women in May 1915 that Wilhelm Pieck had organized, the 1 May 1916 demonstration with Karl Liebknecht at Potsdamer Platz, and massive political strikes in June 1916, April 1917 and January 1918 amounted to high points in the struggle by the Berlin working class against rapacious imperialist war and for peace, and they sent their vibrations to all the rest of Germany.

V

The victory of the workers, peasants and soldiers of Russia, under Bolshevik leadership in the Great Socialist October Revolution in 1917 initiated a new era in human history, the main content of which is the transition from capitalism to socialism. The revolutionary model of the October Revolution led in Berlin directly, through the strike of January 1918 and then through the 1918/19 November Revolution, to a deep historic caesura. The revolution had started with the rising of sailors and workers in Kiel on 3 November. Summoned by the Spartacus group, leftist USPD functionaries, and revolutionary shop stewards, hundreds of thousands of workers and soldiers on 9 November joined the general strike and armed uprising in Berlin. This became a high point in the people's revolution against imperialism and militarism and for a peaceful, democratic and socialist Germany. Workers and soldiers councils formed in factories and barracks. Red sailors formed the people's naval division. In the center of Berlin Karl Liebknecht proclaimed the socialist German republic, elucidating thereby that on German soil also the future would belong to the workers class and its allies.

The German November Revolution hastened the end of the war. It led to the overthrow of the 500-year old Hohenzollern rule and to bourgeois-democratic rights and freedoms for the people's masses. However, the haute bourgeoisie and the militarists were able to preserve the foundations of their economic and political power in different, bourgeois-parliamentary forms.

At the turn of the year from 1918 to 1919, in the building of the Prussian House of Delegates in Berlin, the KPD constituted itself as an outcome of the revolution pointing to the far distant future. This also meant a change for the Berlin labor movement in its struggle for peace, democracy and socialism. The assassination of Karl Liebknecht and Rosa Luxemburg by the militarist counterrevolution was a heavy blow for the German and international workers movement, and so also for the Berlin workers class. In spite of the bloody crackdown on the proletariat in January and March of 1919, however, Berlin maintained its role as a bastion of the revolutionary German workers movement. The legacy of Karl Liebknecht and Rosa Luxemburg has always remained alive in the workers class and all progressive forces in Berlin. It is being preserved and extended in socialist Berlin. That is attested to every year in January by the large campaign demonstration at the socialists' memorial in Berlin-Friedrichsfelde.

Among the accomplishments of the November Revolution was that it smoothed the way for forming the new municipal community of Berlin. That occurred in October 1920 by merging the previously six Berlin city districts, Mitte, Prenzlauer Berg, Friedrichshain, Kreuzberg, Tiergarten and Wedding, with another seven towns (Köpenick, Lichtenberg, Charlottenburg, Neukölln, Schoeneberg, Spandau and Wilmersdorf) as well as 59 rural communities and 27 estates. Longtime struggles

by the working class and by progressive bourgeois forces had an impact on the formation of this city of 4 million spreading beyond more than 860 square kilometers. The new political-administrative structure was based on the economic and transport region of the Berlin area, long integrated. Yet the chances for the Berliners' democratic participation expanded but insignificantly. Though in the outcome of the November Revolution the franchise had become general and equal, many limitations imposed on the city deputies' activity under the empire continued to be enforced. Even under the conditions of bourgeois democracy, the mass of the Berlin working people remained barred from real political power.

Also in the years after the November Revolution Berlin turned out to be the focal point for far-reaching decisions in the class struggle. In putting down the Kapp Putsch and in the "Hands Off Soviet Russia" movement in 1920, during the mass protests against the assassination of Walther Rathenau in 1922, in the general strike to bring down the big capitalist Cuno government in 1932, in the plebiscite against the indemnification for the princes in 1926, and in the struggle against rearmament, approaching reaction and fascism and many other class confrontations, Berlin's workers class stood in the front rank. In the Lustgarten and in the Sports Palace, in the large assembly halls of Berlin East and in the streets of "red Wedding," mighty demonstrations of the Berlin working people ensued. In the struggle for peace, democracy and socialism, the revolutionary vanguard of the workers class, the KPD, grew strong. Led by Ernst Thaelmann and the central committee he directed, Wilhelm Pieck being directly responsible (from 1926 to 1929) for the Berlin party organization, the KPD became the Marxist-Leninist mass party of the Berlin working class. Through its struggle for united action in the working class and for the defense and expansion of the social and political rights of the toiling masses, in the struggle against imperialism, militarism, fascism and the threatening war danger, and for the defense of the Soviet Union, the Berlin party organization ripened into one of the strongest sections of the KPD. Assisted by proletarian mass organizations like the KJVD [Communist Youth Society of Germany], the RFB [Red Front Banner], the Red Aid Germany, the International Workers Aid and through active efforts within the free trade unions, the communists did much work with and for the masses. The party was able to achieve lasting successes with its labor policy when it could establish a united front with social-democratic workers and trade unionists and gain bourgeois-democratic and other anti-fascist forces as allies.

"Red Berlin" became a concept and a magnet for progressive forces far beyond Germany. Indefatigably, the KPD, revolutionary mass organizations, educational institutions like the Marxist workers school, progressive publishing houses like Internationaler Arbeiter Verlag and Malik Verlag, newspapers and journals like ROTE FAHNE and AIZ [ARBEITER-ILLUSTRIERTE ZEITUNG] disseminated the Marxist-Leninist ideas. They would resolutely oppose anticommunism and anti-Sovietism. The communist press, films, exhibits and lectures propagated the role of the Soviet land as the vanguard of human progress and the experiences of the victorious construction of socialism in the USSR. Berlin became a meeting place for the blossoming culture and science of the Soviet Union. In the spirit of proletarian internationalism, Berlin workers exercised solidarity with the anti-fascist, anti-imperialist and democratic forces in the capitalist countries and in colonial and dependent countries. Often the Berlin proletariat offered asylum to political refugees, communists, e.g., from Hungary, Bulgaria and Poland.

In view of revolutionary tremors and sharp class conflicts, and confronted with real socialism on one-sixth of the globe, finance capital at times felt compelled to make political, economic, social and cultural concessions. It combined overtly brutal government methods with a far-reaching use of opportunism to split the workers class and tie parts of it to the capitalist exploiter system in decline. The production and capital concentration and centralization being further accelerated, and with help from U.S. corporations, under the impact from revolutionary innovations in science, technology and production organization, and by way of capitalist rationalization, a relative stabilization of the capitalist system was brought about between 1924 and 1928, and the capital expanded further.

Temporarily the material standard of living of broad strata in the city population improved. A city assembly majority, since 1925, of KPD and SPD deputies, the efforts of social-democratic, communist and bourgeois-democratic communal politicians, and the efforts made by trade unions and industrial councils, co-operatives and health insurances had a share in the perceptible improvements in housing and commuting, education and public health, and youth and old-age care. Progressive architects like Walter Gropius, Hans Scharoun, the brothers Bruno and Max Taut, and Martin Wagner came out with lasting achievements in urban housing.

None of that, however, made any difference to the continuation, the further deepening, in fact, of the class antagonism of the exploiter system. The misery of the rental shacks, more capitalist pillage and suppression, and the educational privilege for a preferred minority continued to govern the working and living conditions of broad proletarian masses and other working people. Even during the boom in the business cycle production capacities were not fully used, and ten thousands of unemployed made up the reserve army of industrial capital. The hope of social-democratic forces to be able to create for all, and permanently, dignified human conditions within the framework of the bourgeois-democratic republic, i.e., without a revolutionary change in the power and property relations, turned out to have been deceptive and was fully refuted in the subsequent class conflicts.

The scientific and intellectual-cultural life also revealed the contradictions tearing the capitalist city of several millions apart. The system of the state monopoly control over the sciences reached a new height in the "German science emergency community." Coming to grips with the reactionary bourgeois ideology, also with the technology cult and the manifestations of disintegration in the capitalist culture business, bourgeois-humanistic and proletarian-revolutionary creators of culture came up with outstanding achievements that consolidated the role of Berlin as a cultural metropolis with international vibrations. This attracted Johannes R. Becher and Bertolt Brecht, Lion Feuchtwanger and Heinrich Mann, Erich Kaestner and Egon Erwin Kisch, Erich Weinert and Arnold Zweig to this city. Many of their creations, like the literary works of Alfred Doeblin and Erich Maria Remarque, Carl von Ossietzky and Kurt Tucholsky, the productions by Leopold Jessner and Erwin Piscator, the music of Hanns Eisler and Kurt Weill, the works of art by Kaethe Kollwitz and Otto Nagel, Carl Hofer and Max Pechstein, George Grosz and John Heartfield, and the work of magnificent actors and performers enriched the progressive cultural activities and--together with the agitprop art of the revolutionary labor movement--joined the legacy of our socialist national

culture. Film and radio, their development in Germany having started in Berlin, became tools of imperialist mass manipulation. A little later, technical prerequisites were created in Berlin for TV.

As in the worldwide conflict between imperialism and socialism in many capitalist states the tendency toward violence and reaction that is inherent in imperialism gets stronger, so also in Germany, especially in Berlin, imperialist state power boosted its oppressive function. In Berlin, after the November Revolution, reactionary terror became especially brutal and bloody in January and March 1920 and during the bloody May of 1929. The most reactionary circles of the ruling class sought to meet the exacerbation of the contradictions of German imperialism, of the evident crisis in the bourgeois-parliamentary form of government and in the start of the economic crisis in 1929/30 by cracking down on the revolutionary labor movement and all democratic forces, and by openly setting up the fascist dictatorship.

From the beginning the KPD resolutely opposed fascism, especially also the Nazi party making inroads into Berlin, with its unequivocal policy aimed at peace, democracy and socialism. From Berlin the KPD central committee led by Ernst Thaelmann, with its "Program for the national and social liberation of the German people" (1930), the Farmers Aid Program (1931), and the Work Procurement Plan (1931), developed the alternative for the drive by German imperialism toward fascist dictatorship and another rapacious war. In the struggle to avert the devastating consequences of the crises, for the working people's social and democratic rights, and against the armaments and fascist course of the most aggressive forces of monopoly capital, and against growing chauvinism and anti-communism, the Berlin party organization of the KPD, headed by Walter Ulbricht from 1929 to 1932 and by Wilhelm Florin in 1932 and 1933, achieved impressive results. Under Wilhelm Pieck's leadership, the KPD city assembly faction defended the fundamental interests of the Berlin working people. In large strikes, like that of the Berlin metal workers in 1930, in demonstrations and rallies, in election campaigns and other social and democratic moves, the party consolidated its ties with the broad working masses in Berlin and became their recognized leader. In response to the fascist danger, growing by leaps and bounds, the KPD in the spring of 1932 called for antifascist action. Ernst Thaelmann's conference with social-democratic functionaries in the Karl Liebknecht House, the seat of the KPD central committee, and the Antifascist Unity Congress in Philharmonic Hall in July 1932, lent important impulses to the formation of the proletarian united front fighting fascism in Berlin. A climax in the struggle against heaping the burdens of the crises onto the shoulders of the working people was the strike of the Berlin transportation workers early in November. In the November 1932 Reichstag elections, nearly one-third of the Berlin voters followed the KPD, whereby it was able to maintain its position as the strongest party in the capital.

However, the united front the KPD had sought of communists, social democrats, unionists and Christians, bourgeois democrats and other enemies of Hitler, against the threatening fascist dictatorship, did not come about. Right-wing leaders of the SPD and the unions rejected joint working class action, held on to their cooperation with the bourgeoisie, and surrendered their own power positions without any struggle—as in Prussia in July 1932.

The establishing of the fascist regime in January 1933 opposed all progressive developments and accomplishments of Berlin and amounted to the heaviest reversal in the city's history. Wilhelmstrasse with the seat of the Hitler government, composed of Nazi leaders and other extreme reactionary agents of monopoly capital, became symptomatic of the open violent rule of terror by the most reactionary, chauvinist and aggressive forces of finance capital. The Reichstag fire, the murderous persecution of communists, social-democrats, unionists and other anti-fascists, the racist anti-Jewish boycott, anticommunist agitation and anti-humanist book burning, the bloody week in Kopenick, the banning of all democratic parties and organizations, the elimination of the last bourgeois-democratic institutions, the city assemblies and city district assemblies, and the militarization and the arms buildup marked the course, especially also in the capital, of fascist German imperialism into World War II.

With bloody terror the fascists saturated the city to break any resistance against their rule and create a "stable hinterland" for the rapacious war they were planning. Notorious centers of a cruel use of violence and murders into the thousands were the Alexanderplatz police headquarters, the Gestapo and SS command posts at Prinz Albrecht Strasse, the SA torture dumps and joints, the Sachsenhausen concentration camp on the outskirts of Berlin and the Ploetzensee murder haunt.

The gentlemen at AEG, Siemens, Daimler-Benz, Rheinmetall Borsig, and Loewe and Lorenz pushed ahead the armaments production, shamelessly enriched themselves with Jewish property, and profited even by the initial aggressions of Hitler Germany against Austria and Czechoslovakia. Science and technology, education and culture now would be fostered only where it was good for the war preparations and the ideological manipulation of the people. Countless outstanding personalities were expelled from the city and from fascist Germany. Even sports and cultural events were misused for the anti-human purposes of imperialist policy, like the Olympics in 1936.

The fascists were able to mislead large parts of the Berlin population through anti-communist and anti-Soviet agitation and social and national demagoguery.

For the second time in our century Berlin, now the capital of the fascist Reich, became the springboard for imperialist aggression. Brutally fascist German imperialism would hazard the life of the citizens and the existence of the city to make its rule prevail over Europe and the world, mainly however, to destroy the socialist Soviet Union. The expulsion and killing of communist, social-democratic and other democratic Berliners, the eradication of our Jewish fellow-citizens, and the death and suffering of hundreds of thousands of men on the battlefields of Europe stand as much on the blood account of the imperialist Nazi and war criminals as do the inhuman abduction and exploitation of tens of thousands of slave laborers by the armaments monopolies and the looting and devastation of almost all European countries, especially the Soviet Union. Ultimately the war struck back, hard and pitilessly, at the city from which it had taken off. Since 1940, housing quarters, cultural structures and factories were devastated in more than 360 air raids. Some 30,000 women, men, children and old people died in the hail of bombs. Hundreds of thousands of Berliners then fled the city or were forced to evacuate it.

Ernst Thaelmann's warning of 1932, "Voting for Hitler means voting for war," had proven itself. Right from the first day of the fascist dictatorship, the KPD conducted a heroic and sacrificial struggle for its overthrow, for preventing and stopping the rapacious war, and for creating a peaceful German democratic republic. The Berlin party organization of the KPD and its illegal groups and the large antifascist resistance organizations around Willi Gall, Otto Nelte, Robert Uhrig, Anton Saefkow, Herbert Baum, Heinz Kapelle and Arvid Harnack, righteous social democrats like Otto Brass, Franz Kuenstler and Adolf Reichwein, bourgeois antifascists like Harro Schulze-Boysen and Christian enemies of Hitler like Dietrich Bonhoeffer and Bernhard Lichtenberg, the anti-Nazi circles around Claus Count Schenk von Stauffenberg--they all made Berlin become an antifascist German resistance center.

Antifascist resistance was part of the struggle of the peoples in the anti-Hitler coalition against their common enemy. The close cooperation by Berlin resistance fighters with prisoners and abducted from almost all European countries underscored the international character of this struggle. In heroic struggle against the terror and the devastating effects the mendacious fascist propaganda had had on most of the Berlin population, the antifascists spread the truth about the fascist crimes, organized operations against armaments and war while staking their lives on it, offered solidary help to the persecuted and the imprisoned, and sought to protect the citizens and the city against the consequences of fascist German imperialism's "total war." At the end of the war, only those antifascist forces that had fought steadfastly and under great sacrifices against Nazi barbarism and war, the communists and their party first and foremost, enjoyed the confidence and respect of the peace-loving peoples in the world. They laid the cornerstone for democratic reconstruction, for Berlin as the capital of a new and peace-loving German state. Their names, their heroic deeds and their sacrificial struggles live on as models and spurs. To them as to all fighters against fascism and war the mass demonstrations are dedicated that have been held annually in September in Berlin since 1945, which attest to the strength of the antifascist traditions in the life of the capital and its citizens.

World War II was won by the states and peoples of the anti-Hitler coalition, the forces of humanism and progress. The Soviet Union, having borne the chief burden of the war and made the greatest contribution to the crushing of fascism, ended the war in Europe with the battle for Berlin, a victory of world historic significance. From 16 April till 2 May 1945, more than 2.5 million Soviet soldiers bitterly fought against the fascist units. Over 100,000 Soviet soldiers and members of the Polish armed forces involved gave their lives for it. On 8 May, at Berlin-Karlshorst, fascist Germany capitulated unconditionally to the powers of the anti-Hitler coalition. The red flag on the Reichstag symbolized the victory over Hitler fascism and the liberation of the German people, including the Berliners, from the fascist yoke.

VI

An entirely new chapter opened in Berlin's history of many centuries on 8 May 1945. Its content is inseparable from the enormous changes in the revolutionary world process in our time. The liberation from fascism by the Soviet Union and its allies offered the German people the chance to crush the power of the monopoly bourgeoisie and the estate owners and to establish the rule of the working class in alliance with the working farmers and the other working strata.

World War II, unleashed by the most aggressive forces of German imperialism, also had brought Berlin to the edge of the abyss. The German Reich had perished in the flames of World War II; no "imperial capital" existed anymore. For the sake of their designs of conquering the world, the adventurous and anti-human forces of German finance capital had ventured the survival of Berlin and its citizens. They had plunged the city's development to an all-time rock-bottom. More than 28.5 square kilometers of the built-up city surface were destroyed. The volume of debris was estimated as between 70 and 90 million cubic meters. Berlin was among the cities that had been most heavily damaged by the war. While in 1939 Berlin had had 4.3 million inhabitants, only 2.5 million people were left in this wasteland of debris in May 1945. There was no water, no gas, no electricity. There was no public transportation. There was no food, and epidemics threatened. Many Berliners were bombed out and lived under primitive conditions. Not only a heavy material legacy had to be coped with, but also the heavy intellectual legacy of imperialist rule and the 12-year Hitler dictatorship. Helplessness and hopelessness dominated the thoughts of many, mainly of youth. Nonetheless many Berliners sensed that now, as the result of the liberation from fascism, something new had to come.

In view of such circumstances it was decisive that there were social forces--mainly of the workers class led by its revolutionary vanguard--that resolutely went ahead and swept others along in salvaging Berlin from the catastrophe imperialism had caused and in securing the life and future of the city and its inhabitants.

In April and May of 1945 antifascists went into action everywhere in Berlin. Communists, social-democrats, unionists and enemies of Hitler from the bourgeois camp acted as "activists of the first hour" and proved the midwives of a new life. Many of them had been freed from concentration camps and penitentiaries by the Soviet Army, other came out of the underground antifascist resistance.

In these tough days and weeks of the new start Soviet soldiers helped wherever they could. Out of their hands the Berliners received the first piece of bread of peace. The first Soviet city commandant, Col Gen Nikolai Erastovich Bersarin, and the Soviet occupation organs saw to the normalization of life and lent the Berlin antifascists a helping hand in the spirit of proletarian internationalism.

The democratic Berlin municipal council headed by the unaffiliated antifascist Arthur Werner, taking office on 19 May 1945, was a broad antifascist-democratic coalition under working class leadership. There worked together in it communists like Karl Maron and Otto Winzer and the social democrat Josef Orlopp with the former Reich minister Andreas Hermes, the surgeon Ferdinand Sauerbruch, the architect Hans Scharoun, and Pastor Heinrich Grueber. The first measures of the new city administration pertained to the resumption of urban transportation and of production, the denazification of public institutions, the banning of entrepreneur associations, the closing of the large banks, and the forming of new police and justice organs.

The beginning of the new era was tough. With their bare hands workers dragged machines out from under the rubble and restarted the economy. Unforgettable merits were acquired by the many women clearing the rubble as they removed, for scanty provisions, and in wind and rain, the material residue of the Nazi

regime. Amidst the ruins there began the struggle for the spiritual rebirth of our people, the soil being prepared for the blossoming of humanistic German culture, for the unbridled spreading of the ideas of scientific communism and of all the treasures of world culture.

At that turning point it was the progressive forces of the German people, mainly the representatives of the workers class, who saw Berlin as the capital of a new, democratic and peaceful Germany and acted accordingly. Berlin became the point of departure for fundamental social changes. From here, the KPD Central Committee, in its 11 June 1945 appeal, pointed out the goal and the course for it to the workers class and all working people: Surmounting imperialism, enforcing an antifascist-democratic transformation opening into the transition to socialism. "No repetition of the 1918 error! An end to splitting the creating people!" This is what the KPD demanded. "Never again agitation and hostility against the Soviet Union; as wherever that agitation surfaces, there imperialist reaction raises its head!"⁵

In harmony with this orientation, the Berlin KPD Bezirk organization, initially directed by Ottomar Geschke and thereafter by Waldemar Schmidt, undertook great efforts to bring about united action in the workers class and a broad alliance of all antifascists.

On the platform the KPD proposed, broad political forces united for a definitive settling of accounts with imperialism and militarism and a fundamental antifascist-democratic renewal. The action accord between KPD and SPD of 19 June 1945, the appeal for setting up free trade unions, of 15 June 1945, which became the birth certificate of the Free German Trade Union Federation (FDGB), and the forming of the block of antifascist-democratic parties on 14 July 1945 initiated this course of development, Berlin setting the example and taking the lead. From Berlin also came the call for setting up a unified antifascist-democratic youth movement, which in March 1946, under Erich Honecker's direction, led to the founding of the Free German Youth (FDJ).

The Potsdam Conference of the chiefs-of-government of the USSR, the United States and Great Britain, from 17 July to 2 August 1945, resolved to eradicate German militarism and fascism by their roots and transform Germany on a democratic and peaceful basis within the framework of a European order of peace. So the Potsdam Agreement conformed to the interests of all peace-loving peoples. In the spirit of this agreement and to implement it, late in July of 1945 an Allied Control commission for Germany started its work in Berlin, with the states that had taken part in the Potsdam Conference and France having a seat on it. Its function was to ensure the uniform implementation of the provisions in the Potsdam Agreement on the denazification and the establishing of peaceful and democratic conditions in all of Germany.

In this connection, in the summer of 1945, troops of the three western powers entered the occupational sectors of Berlin assigned to them, and an Allied Kommandatura for the city of Berlin was set up. That U.S., British and French troops took part in the occupation of Berlin did not affect Berlin's being in toto part of the Soviet zone of occupation nor the Soviet Union's right of controlling all transit routes from and to the western sectors. The western powers had assumed the obligation, according to the Potsdam Agreement and other allied resolutions,

to implement democratic measures in their sectors. Yet they soon abandoned that course and engaged in practical steps that were diametrically opposed to the essence of the allied agreements and the will of the peoples for firm guarantees against a return of German imperialism and militarism. The fact is that there never was a special "4-power status of Berlin," apart from the substance and goals of the Potsdam Agreement.

In the fall of 1945 the initiative was taken in Berlin to get set directly for the political-organizational unification of the KPD with the SPD. In all parts of the city, in enterprises and institutions as in the residential areas, the will to unity in the working class broke through tempestuously. In many events sponsored by the workers parties as well as the trade unions, the vast majority democratically advocated the merger.

That upset the imperialist reaction which, in spite of its crushing defeat, still had considerable political and ideological influence and, moreover, was encouraged and actively promoted by the imperialist occupation powers in West Berlin and the western zones. The reaction was well enough aware that through the revolutionary unification of the workers class its own old power positions could never again be recovered. With the help from opportunistic SPD leaders who were against the merger, through pressure, anticommunist agitation and fraudulent promises, the imperialist forces did manage to dissuade a considerable sector of the SPD members in Berlin, mainly in the western sectors, from the merger. Yet that could neither stop the fusion of the Berlin KPD and SPD party organizations on 14 April 1946 nor the founding of the SED as such.

When on 21 April 1946, at the unification congress in what was then the Admiralspalast in the center of Berlin, Wilhelm Pieck shook hands with Otto Grotewohl, the fateful split of the workers class in East Germany was over and its unity on a revolutionary foundation had become an irrevocable fact. In the SED there arose that Marxist-Leninist vanguard that the workers class needs to fulfil its historic mission and carry out the transition from capitalism to socialism. On its banner also stood the demand for reconstituting the unity of Germany as an antifascist-democratic republic with Berlin as its capital. As history has taught us, the SED saw to setting up the kind of conditions that would make another war emanating from German soil impossible forever.

Since the early summer of 1945, the antifascist-democratic transformation had been introduced in all of Berlin with a resolute participation by the first municipal council. But now, that got stuck here, however. The imperialist western powers openly started to break the Potsdam Agreement. In the western sectors they prevented war criminals and corporation bosses from being punished and deprived of their power. Antifascists were removed from administrations and the police, and a consistent denazification was averted. By their separate acts in violation of international law, the western powers transformed the sectors they had occupied into a counterrevolutionary interference center against the peaceful efforts of the working people and the revolutionary transformation in the Soviet zone of occupation. They made use of the fact here that, in the outcome of the October 1946 elections, a majority of haute bourgeois and right-wing SPD politicians controlled the city assembly and the municipal council.

Yet the workers class and all democratic forces, with solidary help from the working people in the other sectors of the Soviet zone of occupation, and through bitter disputes, gradually managed to turn back the reactionary influence on the political life in Berlin's Soviet-occupied sector. With active assistance from the Soviet Union and in fulfilment of the Potsdam Agreement, demilitarization and denazification were rigorously carried out here. The property of the trusts and monopolies, of the Nazi and war criminals, sequestered on orders from SMAD [Soviet Military Administration in Germany], was put together under a "German Trusteeship" in April 1947. Some former armaments enterprises were converted into Soviet stock companies (SAG's). That saved decisive economic sectors from the grip of monopoly capital. Here the influence of the workers class and the trade union co-determination right managed to prevail.

The living conditions of the working people continued to be tough. The provisioning of the Berlin population hovered around the lowest limit of the subsistence minimum. Hunger and miserable housing, the Black Market and hoarding were the order of the day. Nevertheless, the rigorous struggle for what was new, for reconstructing Berlin, more and more characterized life. Together with the Soviet occupation power, the forces willing to rebuild sought to mitigate, step by step, and finally relieve the worst misery. To recruit women of all classes and strata for it was the goal of the DFD [Democratic Women's League of Germany], which was founded in March 1947.

Also the democratic school reform made headway in the Soviet-occupied sector of Berlin. The elimination of the educational privilege for the exploiter classes was initiated, and for the first time in the history of Berlin the working people were given unbridled access to science, education and culture. Thousands of new teachers, most of them stemming from the working class, did well in their schools. Berlin University had already been reopened early in 1946. Soon they started preparing young people of working class origin for academic studies.

Here and in the Academy of Sciences, which also resumed its activity in 1946, scientists like Robert Alt, Theodor Brugsch, Serge v. Bubnoff, Heinrich Deiters, Johannes Dobberstein, Heinrich Franck, Walter Friedrich, Victor Klemperer, Helmut Kraatz, Alfred Meusel, Wolfgang Steinitz, Walter Stoeckel, Johannes Stroux and Erich Thilo laid the essential foundations for a blossoming of science in service to peace and social progress.

In the Cultural League for the Democratic Renewal of Germany, with its first president Johannes R. Becher, those forces came together that had preserved their socialist, antifascist-democratic and humanistic persuasion through the time of the darkest reaction or were ready to draw conclusions from their bitter experiences in the fascist period. Like Bertold Brecht and Helene Weigel, Anna Seghers, Hanns Eisler, Ludwig Renn, Erich Weinert, Friedrich Wolf and Arnold Zweig, many others returning from their antifascist exile found their places of work in democratic Berlin.

When in late 1947 imperialism pushed its Cold War against socialism, Berlin became a focal point of the worldwide class conflict. Still the consequences of the rapacious fascist war were deplorably noticeable everywhere, and already the most aggressive imperialist forces used their positions in the western sectors to advance their policy of rolling back socialism. Under SED leadership,

the most aware sectors of the workers class and of the other working people were opposing this dangerous development that once again threatened the peace. On SED initiative, there arose the people's congress movement for unity and just peace. Hermann Matern and Karl Litke, the regional SED organization chairmen, passionately championed a democratic and peaceful development in all parts of the city. But imperialist reaction responded by restoring imperialism in the western sectors and by splitting them off to be able to turn them into a deployment area for their aggressive policy against socialism.

Induced by the imperialist western powers, a currency reform was undertaken in the western zones on 20 June 1948; a little later, the separate currency introduced with it, pegged to the dollar, was carried over, in violation of allied agreements, into the western sectors. Thereby the imperialist western powers, hand in hand with German monopoly capital, fully destroyed the historically grown economic relations. With the provocative extension of the separate currency reform to the western sectors and the splitting of the 4-power administration, the imperialist occupation powers divided the city.

In September 1948 the reactionary majority of the city assembly moved from the new city-hall in Parochialstrasse into the British sector. Most of the municipal council members followed in October 1948. Something similar happened in the communal authorities. The splitters did not even shrink from tearing apart the municipal transportation, electrical energy, gas and water supplies and the refuse collection. Thus West Berlin got a separate administration in December 1948. What had been historically grown over 700 years, imperialism unscrupulously tore apart.

To limit the effects of this imperialist cleavage policy on economic construction in Eastern Germany and the life of the working people in democratic Berlin, it was necessary to resort to protective measures. The lie of an alleged "blockade" which imperialist propaganda then and later deliberately whipped up cannot alter the fact that the USSR and Berlin's democratic forces submitted generous offers for supplying the western sectors and demonstrated their willingness to negotiate. The imperialist forces, however, countered that by their provocative "air lift" operation. That turned out to be a trick of political blackmail against the USSR, a grand-style peace-endangering maneuver and, with it, worthwhile profitable business for the concerns. Under the aegis of a wild anti-Soviet agitation, the most aggressive imperialist circles were about to set up their NATO pact in April 1949, prepare plans for using atomic bombs against the Soviet Union, and complete the creation of a separate West German state and the splitting off of the western sectors.

The splitting of Berlin as of Germany was the work of the imperialist western powers and of the German monopoly bourgeoisie aided by right-wing SPD leaders. That policy had been carefully planned and was carried out step by step. The setting up of a separate Kommandatura for West Berlin in December 1948 and the imposing of a "Small Occupational Statute" in May 1949, which after several revisions is still valid today, meant the irrevocable end of the allied control and occupation regime agreed on in 1944/45. The intention of incorporating West Berlin within the FRG that was founded in September 1949 foundered against the objection from the USSR, forcing the western powers to suspend all relative constitutional provisions in the FRG and West Berlin. All the more did the

imperialists put up funds and capacities in turning West Berlin into a "frontal city" of their Cold War against the democratic conditions the working people in the Soviet zone of occupation had created under great sacrifices. In the western sectors the chance created by the liberation for a fundamental renewal in the sense of antifascism, peace and social progress, in the spirit of Berlin's best traditions, was nullified. For many years this West Berlin, as created by imperialism, remained a powder keg and persistent burden in international relations—for the detriment of its inhabitants as of all peoples in Europe.

But where, under the leadership by the workers class and its party, the capacity of the Berliners could unfold freely, imperialist reaction could not once again stop, let alone turn back, the wheel of history. The city's democratic forces dealt imperialist reaction the appropriate rebuff. On SED initiative, on 30 November 1948, a new democratic municipal council of Berlin constituted itself, with Friedrich Ebert as burgomaster. Nearly a half million Berliners cheered that step the same day in one of the largest mass demonstrations in those years.

Now there was the chance to complete the work that had been started with the liberation. Picking up the accomplishments of the first postwar municipal council, the new city administration made sure the antifascist-democratic transformation would continue. The laws promulgated already in 1947, on the expropriation of trusts and on a democratic school reform, sabotaged by the imperialist western powers and the splitting city council, were made to take effect at once. In Berlin too, a people-owned sector of industry and agriculture was set up. Through a large solidarity operation the working people in the regions of what was then the Soviet zone of occupation assisted the Berliners.

VII

On 7 October 1949 the GDR was founded in Berlin. In a gigantic demonstration on the tradition-rich street Unter den Linden, on 11 October, FDJ deputies from all parts of the young republic and hundreds of thousands of Berliners cheered the new state and its top representative, the workers' president Wilhelm Pieck. During the torchlight parade of youth, Erich Honecker pronounced the "pledge of youth" to the new state. For the first time in German history a state had been created that would embody the interests and will of the working masses and declare peace, not war, and peoples' friendship, not hatred, its program.

In those historic October days of 1949 was fulfilled for Berlin what the best forces of the people, mainly the revolutionary German workers movement, had long been fighting for. Whereas the German empire in 1871 had been proclaimed on foreign soil, the bourgeois republic in 1919 had been baptized, for fear of the revolutionary workers movement, in Weimar, and the imperialist splitters in 1949 had withdrawn to Bonn on the left bank of the Rhine to proclaim the FRG there, the founding of the German workers and farmers state took place in Berlin, amidst the Berliners. Into reality was turned Ernst Thaelmann's conviction that Berlin would become the "chief center of the German revolution." From the haunt of German imperialism and militarism, the emblem for imperialist oppression and war, Berlin rose up to be the capital of the GDR, the first socialist and peace-loving state on German soil. This function of Berlin as a capital has many deep historic roots and is linked with many great traditions in German and Berlin history.

In conformity with the Constitution the GDR's top political organs took their seat in Berlin. From here the Marxist-Leninist working class party has shown and is showing the whole country its course and goal. Where once deadly imperialist enemies of the nation switched the levers of power and pursued their goals, hostile to the people and to peace, now for four decades we have been engaged in a policy of socialism and peace, a policy for the well-being of the people and the interests of the working class and all working people.

Through establishing the workers and farmers power the unified revolutionary process grew from the antifascist-democratic transformation into the socialist revolution. When the objective and subjective conditions had become ripe for it, the Second SED Conference in July 1952 was able to decide to lay the foundations of socialism in all sectors of society according to plan. "Who--whom," socialism or capitalism, that was the question the workers class and its allies would decide for themselves through bitter struggles against internal and external class enemies. Led by the SED organization in the capital, directed in the 1950's and 1960's by Hans Jendretzky, Alfred Neumann, Hans Kiefert and Paul Verner, the Berlin working people with elan started to lay the foundations of socialism in the state and the economy according to plan. Picking up the results of the 1949/50 Two-Year Plan, the first five-year plans in Berlin mainly started developing beyond the prewar status the most essential industrial branches of electrical engineering and machine building and got going on the systematic socialist construction of the capital. The proportion of the people-owned sector in industrial gross production rose from 47 percent in early 1949 to 92 percent in 1961. Early in 1954 the USSR also handed over to the GDR in Berlin the last SAG enterprises. People-owned large-scale Berlin enterprises, like the Berlin-Treptow Electro-Apparatus Works, the Oberspree Cable Works, the Karl Liebknecht Transformer Works, the Berlin Brakeworks, Bergmann-Borsig, the 7 October large crane construction plant, and many others attested to the industry and capabilities of the workers, technicians and scientists far beyond the borders of the republic. At that time, various forms were developed with success to attract working farmers, craftsmen, retail merchants and private entrepreneurs to deliberately participating in the socialist transformation.

Penetrating changes took place within the working class. Having become the ruling class from a previously suppressed class, it ripened to become the recognized leading force of society under the leadership by its Marxist-Leninist party.

In the people-owned enterprises the most progressive workers increasingly assumed their responsibility as the owners of the means of production. Through good labor organization and improved labor methods, they increased the labor productivity which had initially been very low. One of the first Berlin activists was the furnace bricklayer Hans Garbe from today's VEB Elektrokohle Lichtenberg. Many workers and collectives followed him. The activists' and competition movement, which became very broad after being founded in the GDR, demonstrated the breakthrough to a new, socialist work attitude.

In its exercise of power the working class party relied on its political alliance with all parties and mass organizations in the Democratic Bloc and the cooperation with all classes and strata, with citizens of the most diverse origin, activity and ideology, within the framework of the National Front. That also became apparent in the work of the democratically elected city deputy assemblies and the eight city district deputy assemblies. The new socialist democracy, superior to

any bourgeois parliamentarianism, kept developing its advantages more and more also in the capital. Under the slogan "help plan, work, govern!" tens of thousands of Berliners, in standing commissions of the people's representations, as block and building spokesmen, in social and housing commissions, parents advisory commissions and other bodies, assumed various volunteer functions. Christian fellow-citizens became more and more active in the National Front movement.

The Berlin working people who had seen their city plunge into piles of rubble in the nightly bombings of World War II would now grab the pickaxe and shovel to erase, step by step and through laborious efforts, the scars of the imperialist past from the city's stone facade. Under the slogan "for Berlin's construction," the SED Central Committee, whose general secretary Walter Ulbricht became in 1950, on 25 November 1951 appealed to the population to rebuild the capital, destroyed by the war, by making it more beautiful and spacious than it had been before. Within the scope of NAW [national reconstruction work], tens of thousands of reconstruction helpers tackled the clearing and beautification of their city. With the whole republic participating, between 1951 and 1956 the first construction sector of the Karl Marx Allee was put up and so were many cultural and sports facilities. Tierpark Friedrichsfelde also, a treasure especially close to the heart of nature-loving big city dwellers, was built up by many reconstruction helpers.

Simultaneously, Berlin workers, technicians and scientists helped on many large construction sites of the young republic create the material-technical foundation for our socialist state, in the VEB Eisenhuettenkombinat Ost, the VEB Schwarze Pumpe Combine, in Leuna and Schwerdt and in Rostock's overseas port.

To protect the work of reconstruction, many Berliners, mainly young people, joined the worldwide peace movement, which had been generated as a response to the imperialist policy of aggression. The Germany meetings of the FDJ at Pentecost in 1950 and 1954 and the Third World Festival of Youth and Students in August 1951, sponsored by the FDJ in Berlin under Erich Honecker's direction, were high points in the peace struggle and of international solidarity in that era so full of tough class struggle and revealed to the peoples a new Berlin, freed from the blemish of imperialism and nationalist agitation. Berlin's population endorsed the Stockholm appeal for banning nuclear weapons and other worldwide actions in support of preserving and securing peace.

Under the conditions of the socialist revolution, Berlin placed its rank as a city of science and culture onto new foundations. In the 1950's there evolved in the city, along with the university which since 1949 has borne the names of the brothers Humboldt, and with the Academy of Sciences, new research and training institutions like the Academy of the Arts (1950), the Academy of Agricultural Sciences (1951), the Building Academy (1951), the College for Economics (1950), the College for Music (1950) and other colleges and institutes. Berlin started introducing gradually the 10-grade general education polytechnical secondary school. That went together with a speed-up in building new schools. In continuing proletarian traditions, more and more girls and boys received a youth consecration.

Berlin's fame as a theater city was substantiated in a new way. Bertolt Brecht's drama productions by the Berliner Ensemble and Walter Felsenstein's realistic

music theater at the Comic Opera became world-famous. The German State Opera and the Volksbuehne in 1954/55 reoccupied their houses rebuilt in their old beauty. Fritz Gremer, Heinrich Drake, Max Lingner, Arno Mohr, Otto Nagel and many other painters, sculptors, graphic artists and draftsmen were at work in the city. When between 1955 and 1958 the cultural treasures of the museum island the Soviet Army had saved, the Pergamon Altar included, returned, Berlin also got back its previous world rank as a museum city. Berlin Festivals were first held in October 1957. Considerable funds were spent on restoring and maintaining valuable monuments in the capital.

The Soviet Union and the other socialist countries helped in many ways in our overcoming internal difficulties and defending against threats from the outside. Friendly relations developed between Berlin and Moscow. Close bonds also were established with Warsaw, Prague and other capitals of socialist countries.

The GDR-USSR relations treaty of 20 September 1955 strengthened the GDR's international position as a sovereign socialist state and explicitly confirmed the position of Berlin as the capital of the GDR. Attempts by the three western powers and the FRG, to demonstrate a so-called 4-power status for all of Berlin, were blocked for once and for all.

The 1950's were years of hard work and many deprivations. Disproportions in the economy, left behind by capitalism and the fascist rapacious war and intensifying the imperialist cleavage policy, had to be surmounted, and many contradictions and problems pertaining to the transition period from capitalism to socialism had to be resolved. In struggling for having the socialist production relations win out, socialist cooperative work developed. Among the first brigades obeying the motto: "We want to work, learn and live socialistically" were youth brigades of the VEB Berlin-Treptow Electro-Apparatus Works and the VEB Berliner Gluehlampenwerk.

With the transition to industrialized construction methods after 1957, housing construction made headway. Larger new construction blocks went up at Karl Marx Allee between Strausberger Platz and Alexanderplatz, in the Heinrich Heine district, at Plaenterwald and in Koepenick. For the health care for the citizens and the protection of mother and child, for preschool and popular education and for taking care of the veterans of labor, more and more funds were made available year after year, allocated from the state and city budgets.

Under party leadership the Berlin working class learned to protect its peaceful work of construction against hostile assaults, weapon in hand. Doing so, it carried on, under altered conditions, the revolutionary traditions of "red Berlin" and of the antifascist resistance movement. It was more than a symbolic act for the former Prussian artillery barracks on the Kupfergraben, in which the co-founder of Marxism had taken care of his military service in 1841/42, to be awarded the obliging name of "Friedrich Engels Barracks" of the National People's Army of the GDR.

With its "roll back" strategy, of forcibly rolling socialism back, imperialism threatened the peace and security in Europe and the rest of the world. The re-militarization of the FRG and its joining NATO in 1955 and the development of West Berlin as a center of revanchism and of economic warfare against socialism,

as a turntable for espionage and psychological warfare, were the corner-stones formed for it. Unabashedly they called West Berlin the "cheapest atom bomb" in NATO circles. From there the most aggressive imperialist forces assembled three times to liquidate the workers and farmers power in the GDR. Each time they got the rebuff they deserved. On 17 June 1953, the GDR working class and its armed organs together with the Soviet armed forces stationed in the republic crushed a counterrevolutionary putsch attempt. In the fall of 1956, the combat groups of the workers class resolutely opposed provocations staged by West Berlin for the purpose of subverting the socialist state power. When in the summer of 1961 the imperialist economic warfare against the GDR had reached a climax and the NATO and Bundeswehr command was preparing variants of a blitzkrieg and of a "limited war" against the GDR and other socialist states, the GDR's working class under arms foiled those aggressive plans as well. The protective measures of 13 August 1961, fully backed by the states in the Warsaw Pact, saved the peace under threats in that the GDR borders were reliably secured. After the founding of the GDR this was the heaviest defeat the proponents of the "roll back" strategy had to accept. Their wishful dream of entering through the Brandenburg Gate with flying banners had evaporated into nothing. Vindictive agitation against the GDR's national border still serves the enemies of peace and socialism today in covering up the fiasco their "policy of strength" suffered in August 1961. Meanwhile many politicians, even in capitalist states in Western Europe and on other continents, have acknowledged the fact that the protective measures taken in good time there by the GDR defused a powder keg and made peace more secure on the European continent.

VIII

Protected by secure borders with West Berlin, there also were more favorable conditions in the GDR capital after 1961 for tackling new objectives. After the tasks in the transition period from capitalism to socialism were, by and large, resolved, the working class party now became oriented to constructing socialism comprehensively. From Berliner VEB Elektrokohle Lichtenberg there came an appeal in September 1961 for a production rally, for an initiative of the workers class and the other working people that would embrace the entire republic, so as to make up for the planning backlogs caused by the complicated class struggle situation in 1960/61 and balance out the economic losses caused by the economic warfare by the imperialists. According to conservative estimates, the GDR in the time of the open border had suffered a damage of more than M 150 billion from the economic aggression of FRG monopoly capital.

In the course of the 1960's Berlin experienced a significant upsurge as an industrial location and an intra-regional services and traffic center. New enterprises were set up, others got modern technical equipment. The capital's industrial production in 1962 for the first time surpassed M 5 billion. More and more the tasks of socialist rationalization and of coping with scientific-technical progress became the focus of the economic management activity by the working class party and increasingly determined the socialist competition, organized by the FDGB. Through initiatives such as "Our enterprise must no longer live at the expense of others," which originated in the VEB Punkwerk Kopenick in 1966, Berlin workers became pace-setters for the entire republic. On a priority basis those industrial branches were being developed that would contribute to a rapid enforcement of scientific-technical progress, such as electronics,

measuring and control techniques and the construction of scientific devices. When KWO [the VEB Oberspree Cable Works] were set up, the capital's economic structure began to change.

In the course of the CEMA countries' international socialist division of labor, the relations with the Soviet Union intensified. Since 1964, when the first official delegation of the Berlin SED organization visited Moscow, the bonds of friendship between the two metropolises and their working people kept becoming closer and more fruitful all the time. More and more frequently trade union and FDJ friendship trains arrived at the Moskva where work collectives from large-scale enterprises, scientists and creators of culture would exchange experiences with one another.

Economic successes facilitated improvements in the working people's living conditions. The Berlin working class with its production achievements helped make it possible for the 5-day workweek to begin in August 1967 throughout.

The consolidation of the socialist order went hand in hand with advances in culture and education and the winning out of new modes of thinking and conduct, appropriate to socialism, among many Berliners. In compliance with the law on the uniform socialist educational system, as early as in 1970 already 91.5 percent of all school-age children in the capital attended the 10-grade general education secondary schools. That led to a higher level of vocational, university and college training. Proposed by the SED and the FDGB, a broad study movement in Marxist-Leninist basics developed, including Marxist political economy and the history of the workers movement, which gave many working people access to understanding the cardinal issues of the socialist revolution and of the world historic process. How deeply the idea of anti-imperialist solidarity had become rooted could especially also be seen in the ample support granted the Vietnamese people fighting against U.S. aggression. The peace struggle, international understanding and socialist construction also informed the artistic creations of many writers, theater people, musicians, painters and sculptors in Berlin.

The Berliners and the ever more numerous guests of the capital would joyfully take advantage of the expanded excursion and recreational areas in the green belt encircling the city. The capital also became a physical culture and sports center in the GDR. Already in the 1950's modern sports arenas had been built, such as today's stadium for world youth, the Friedrich Ludwig Jahn Sportpark, and the Karl Friedrich Friesen swimming stadium at Friedrichshain. With Berlin's sports forum in the Weissensee city district, competitive sports got new training and championship facilities in the 1960's.

Through the 1968 university reform, Humboldt University and the other universities and technical schools in Berlin, in research and teaching, increasingly adapted themselves to the new requirements of the economy and the society at large. In 1970, more than 36,000 students were engaged in full-time and evening studies and correspondence courses, more than 17,600 of them at Humboldt University. The Academy of Sciences of the GDR began to develop into a socialist research institution in which basic and applied research would purposefully serve the efforts of coping with practical demands. Most generously subsidized were the natural science research facilities of the Academy at Berlin-Adlershof and the medical institutes in Berlin-Buch.

In the 1960's, the outer appearance of the city began to change visibly. The rebuilding of significant monuments and places of culture on both sides of the historic boulevard Unter den Linden was completed. Around the new TV tower on Alexanderplatz, the capital got a modern, attractive, unique center at the 20th anniversary of the founding of the GDR. In all boroughs new housing blocks went up. Between 1961 and 1970 a total of 70,348 dwelling units were completed, 58,608 of them being new ones. The role models of many best workers encouraged the industry of the Berlin construction workers. Under the motto, "A prettier capital for us--join-in!" thousands helped on a volunteer basis improve the housing and living conditions.

Socialist state power had consolidated also in the capital. The city-kreis-assemblies and the city-district-assemblies, the municipal council, since 1967 headed by Herbert Fechner, and the city-district councils in their social and political composition reflected the new socialist class structure and the firm alliance between the working class party and the other bloc parties--DBD, CDU, LDPD and NDPD--and the mass organizations.

IX

The GDR's political, economic and cultural development in the early 1970's also presented Berlin with new tasks that had to be resolved. In Berlin's Werner Seelenbinder Hall, the delegates to the Eighth SED Congress in June 1971 adopted the strategy for the shaping of the developed socialist society in the GDR. In the SED Central Committee report to the party congress, Erich Honecker, having been chosen by the Central Committee to be its first secretary on 3 May 1971, explained the need to implement as the principal task the further elevating of the people's material and cultural standard of living, based on a high rate of development in socialist production, higher efficiency, economic-technical progress and growth in labor productivity.

This course of unified economic and social policies has borne rich fruit in the 15 years since then. In Berlin also, all sectors of public life benefited from it. Never before in history have the looks of the city and the Berliners' working and living conditions changed for the good as pervasively and permanently as during the implementation of the principal task policy, relying on the efforts and diligence of all citizens, as resolved by the eighth party congress.

The eight party congress resolutions met with strong approval from Berlin's inhabitants, as they did everywhere else in the country. Mobilized by the working class party, they faced the new requirements. Relying on the production, science and educational potential created since the 1950's, since the early 1970's collectives of socialist industry and agriculture with increasing purpose and growing success addressed the new tasks of socialist intensification.

For Berlin and the Berliners, the 1973 decision made by the Central Committee, to implement a complex housing construction program as the centerpiece of its sociopolitical program was of the greatest consequence. In the working class and among all working people the realization deepened fast that good work done pays off in socialism and produces results immediately noticeable to everyone. That was brought about after many clarifying debates about an individual's coresponsibility for strengthening socialism and safeguarding peace.

In struggling for the implementation of the general line of the SED, the Berlin party organization excelled as the vanguard of the working class and the other working people in the capital. Konrad Naumann was the first secretary of SED Bezirk Management from 1971 to 1985. After the 11th SED Central Committee session in November 1985, Guenter Schabowski was elected first secretary of Bezirk Management.

The peace offensive of the community of socialist states, which brought positive changes in Europe in the early 1970's, strengthened the GDR's international position and also heightened its capital's international radiation. Closely affiliated with the USSR and the other fraternal socialist countries, the GDR proved a reliable peace state from the capital of which impulses constantly emanated for detente and international cooperation. The GDR's UN membership and its establishing diplomatic relations with 100 states by the end of 1973 attested to the definitive collapse of the imperialist blockade against the workers and farmers state and its capital. New embassies and diplomatic and trade missions were set up. State visits, international conferences, congresses and solidarity operations underscored Berlin's growing international reputation.

High points in the struggle for peace at that time were the 10th World Festivals of Youth and Students in 1973, rallies against the counterrevolutionary putsch in Chile in 1973 and the World Congress of Women in 1975. Perspectives reaching into the far distant future were added to the traditional friendship and cooperation between Berlin and Moscow by the USSR-GDR friendship, cooperation and mutual assistance treaty signed in October 1975. They were expressed by the Berlin Days in Moscow and the Moscow Days in Berlin, by more collaboration between party organizations in the capitals, by friendship visits and contracts between enterprises and institutions. The capital's municipal council, headed by burgomaster Erhard Krack since 1974, maintains communal relations with 39 capitals all around the world.

With the signing of the Quadripartite Agreement on West Berlin in September 1971 and the effort to implement it a hot spot of international conflict was defused, on the Soviet Union's initiative. The agreement unmistakably makes clear that West Berlin, as in the past, is not a part of the FRG and will not be governed by it in the future either. Whenever revanchist forces seek to subvert that agreement, the GDR, together with the Soviet Union and all states in the socialist community, has opposed it and is opposing it rigorously. The coordinated constructive peace policy of the socialist countries includes the development of peaceful coexistence relations between the GDR and West Berlin. They conform to the peoples' demanding peace and security as it also conforms to the properly understood interest of the citizens of West Berlin.

In the newly built Palace of the Republic in the center of Berlin, in May 1976 the ninth party congress issued the new SED Program. In it the SED set the goal of continuing the shaping of the developed socialist society in the GDR, whereby to create fundamental prerequisites for the gradual transition to communism. That amounts to a process of penetrating political, economic, social and intellectual-cultural changes. As part of this auspicious objective the program sets the task of devoting special attention to the development of the GDR capital. Continuing a tradition of the revolutionary German workers movement, a strategic importance is thereby attributed to constantly strengthening the positions of the workers class and of socialism in the capital.

Fulfilling the resolutions of the Ninth SED Congress was most closely linked in Berlin with the implementation of the Berlin Program. That was issued by the SED Central Committee Politburo in February 1976, for the development of the GDR capital till 1990. This program had been prepared on the initiative from Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council, and was presented by him in March 1976 to the 12th SED Berlin Bezirk Delegates Conference. Thereby, a far-reaching orientation had been given for the GDR's socialist capital. Through it, the development of Berlin became more than ever the business of the entire republic.

In the tradition-rich workers' city of Berlin, the workers class, led by the SED, in the 1970's confirmed its role as the political force in the exercise of power and the proprietor of the decisive enterprises and means of production. In the main field of the socialist revolution and the class struggle--the economy--it constantly produced new creativity. The ten Berlin best workers conferences attested and are attesting to the will and ability of the working people in the capital to make their contribution to the implementation of the principal task. Initiatives born in Berlin, "each supplies each with quality," from the VEB NARVA Combine, Berliner Gluehlampenwerk, or "each every day with a fine balance-sheet" from the Hans Kiefert youth brigade in the Berlin VEB underground construction combine swept the whole republic as mobilizing economic activities. The activity of Berlin's workers' youth was underscored by the upsurge in youth brigades, of which there were almost 3,000 by 1984.

To implement the Berlin Program, the reconstruction of the city has continued since the mid-1970's purposefully and with higher speed and with the strength of the whole republic behind it. Since September 1976, youth brigades from all the bezirks in the GDR have been working on socialist construction priorities in Berlin within the scope of the "FDJ Berlin Initiative." There are today over 20,500 FDJ members from the bezirks who, together with their Berlin colleagues, are working in the city. The construction of the new city district Berlin-Marzahn was started. Housing construction made ever faster headway. Implemented at the same time also were significant construction projects for the development of traffic and supplies, health, education and culture. New hotels and department stores, sales facilities and restaurants, the Ernst Thaelmann Pioneer Palace, the sports and recreational center, the reconstruction of the Charite, generous traffic solutions and other facilities were brought about. The Berliners and all citizens of the republic as well as many foreign visitors gladly make use of them. This blossoming of our city since the 1970's has been the fruit of hard and strenuous efforts by the working people. It was tied up with the struggle in coping with various problems of social development in socialism, which made high demands on the skill and capabilities of the collectives as of the citizens.

In implementing the civically relevant socialist communal policy the collaboration among citizens of all classes and strata grew stronger under working class leadership. In the city-kreis-assemblies and the city-district-assemblies over 2,000 elected deputies are at work. On 125 standing commissions of the socialist people's representations more than 2,700 citizens are working. More than 15,000 Berliners are working on the 505 residential area and local commissions of the National Front. Circa 26,500 exercise volunteer functions in housing community managements and nearly 6,000 in election district activists' groups. To socialist democracy in action also speaks the activity of 5,320 lay judges and there being more than

1,800 elected conflicts commissions in enterprises and institutions with over 18,000 members. Some 14,600 working people are doing much volunteer work on the Workers and Farmers' Inspectorate committees. More than 10,000 are People's Police helpers. More than 41,000 citizens exercise their democratic rights and duties in some 6,800 parents' advisory councils and parents' activist groups. The close bond the Berliners have with their state and their city has become a characteristic feature of socialist Berlin. The active participation by workers, cooperative farmers, intellectuals, artisans and tradesmen and citizens differing in political affiliation and world-outlook in managing and coping with the destinies of their city, their enterprise, their residential area, asserts itself as an essential impulse for shaping the developed socialist society. It embodies a great accomplishment of the workers and farmers power.

Socialist law safety is a mark of public life in the capital. Here the protection of the workers and farmers power, of socialist property and public order and safety is as ensured as is the freedom and human dignity of the citizens. As demanded by the Constitution, in Berlin also the members of the NVA and the border troops and the other armed organs are making their contribution to socialism and peace. Side by side with them, the working class militia groups are seeing to that.

Strong impulses for Berlin's development in the 1980's came from the 10th SED Congress in April 1981. At a time when the international situation became more critical, because of the confrontation course from the most aggressive imperialist circles, mainly of the United States and its closest NATO allies, and the dangers to world peace were mounting, it took steps toward further strengthening the GDR as the corner-stone of socialism and peace in the heart of Europe. Considering that the party policy issued by the eighth party congress had met its test in life, it decided to carry on the principal task course--including the Berlin Program--resolutely under the altered and more intricate conditions. Berlin kept developing as the political, economic and intellectual-cultural center, as "the strongly beating heart of our socialist German state."⁶

In conformity with the economic strategy as set down by the 10th party congress, Berlin is making a steadily growing contribution to the continual economic growth of the GDR and in turning to comprehensive intensification. The largest industrial city in the GDR today produces more than 5 percent of our republic's industrial output. From 1971 to 1985, gross industrial output rose by 214 percent and industrial labor productivity, by 202 percent. Roughly M 71 billion were invested in that period to rationalize and expand the material-technical base of industry and construction and transport. Thereby gross industrial output has risen to 14.8 times of what it was in 1949, labor productivity, to 11.2 times. An important contribution to implementing the principal task came from the workers, employees and intellectuals in the Berlin combines and enterprises of electrical engineering/electronics, machine building, chemistry and the light and foodstuffs industry with their high-grade deliveries of means of production, ancillary supplies and consumer commodities.

In Berlin too the combines with an internally closed reproduction cycle have become the backbone of the socialist planned economy. Today the capital's economic capacity is shaped by such combines as the VEB Oberspree Cable-Works Wilhelm Pieck, the VEB Friedrich Ebert Electro-Apparatus Works, the VEB Rosa Luxemburg NARVA Berliner Gluehlampenwerk, the automation plant construction works, the

7 October . VEB machine tool combine, power plant installation construction, VEB housing construction combine, VEB BMK engineering high-rise construction Berlin, and the VEB Combine for Berlin Traffic Enterprises.

Berlin made strenuous and successful efforts to combine the advantages of socialism with the results of the scientific-technical revolution. The cooperation between industrial and construction combines and science institutions on a contractual basis produced a higher economic effect. Today, 206,000 university and technical school cadres have jobs in Berlin. Of all those employed in the city's enterprises and institutions, 20 percent is assigned in R&D. At a fast rate Berlin is being turned into a center for R&D and the production and application of microelectronics and other key technologies. For the dynamic development of this key industry, the concentration of more than 15 percent of the total output in the GDR's electrical engineering/electronics in Berlin, and of highly skilled workers, engineers and scientists in combines and scientific research institutions, forms a sound foundation. Machine building is consistently being further developed. Consumer goods production is being broadened with regard for the profile of Berlin industry.

The implementation of the housing construction program changed the picture of the city and encouraged its citizens' socialist way of life. From 1971 to the end of 1985, 168,369 apartments were newly built and 79,932 were modernized. That improved the housing conditions for circa 678,000 working people, more than half of the capital's inhabitants. Circa half of what there is in housing today has been newly built since 1949. So Berlin has truly risen from the ruins. New city districts, or boroughs, like Marzahn, Hohenschöenhausen and Kaulsdorf-Nord announce the implementation of a traditional goal of the revolutionary workers movement, "to set up the workers' state, in which supplying the working masses with apartments comes first and foremost."⁷

Many new public institutions were built between 1971 and 1985. That includes 4,655 classrooms in general education schools, 180 school gyms, 14 swimming pools, 11,794 vacancies in old-age and foster-homes, 114 shopping malls and 35 residential area restaurants.

A unique construction speed and stable low rentals are typical of Berlin housing. The modernization and rehabilitation of old housing was started with energy. Particularly in the traditional working class districts of Mitte, Friedrichshain and Prenzlauer Berg the task was undertaken of surmounting the depressing legacy of capitalism and creating housing conditions adequate to socialism. In 1984 at Thaelmann Park--once the location of a gas plant--the first tenants moved into the apartments of one of the youngest inner-city new construction areas.

The people-related policy of the eighth party congress bore rich fruit also in other areas. Since 1971 the net monetary income of the citizens in the city has risen by 79 percent. The 40-hour week was introduced in industry step by step, and recreational vacation was lengthened. Social benefits for shift workers were improved. Wages and pensions and subsidies for mothers, large families and young couples were raised several times. Today nearly 80 percent of the infants are taken care of in the capital's 366 nurseries. All children may attend kindergarten if their parents want them to. Circa 8 percent of the pensioners live in old-age homes. Allocations for social insurance and social welfare benefits have increased considerably.

More and more Berliners have been using their easier working conditions, due to the use of new technologies, and their longer individual leisure for learning technical and social skills, for the satisfaction of growing intellectual-cultural needs, for various hobbies and for recreation and sports. State and city budget allocations for education, culture, health care and sports rose by multiples.

Berlin became an internationally recognized center for competitive sports in the GDR. Many medals have gone in the last 15 years to athletes of Berlin sports clubs at the Olympics and world and European championships.

The attractiveness of the capital as an intellectual-cultural center has further grown with the opening of the theater at Academy Square as a center for musical culture, the reconstruction of the German Theater, the Chamber Players and the Friedrichsfeld Palace, as well as the new construction of Friedrichstadt Palace and the House of Soviet Science and Culture. The activity of such new institutions as well as of the traditional theater and music stages, internationally known orchestras, publishing houses and libraries, the Academy of the Arts, the Berlin-Weissensee art college, the Hanns Eisler music college, the museums and memorials, radio and TV, and culture houses and clubs enjoy a massive effectiveness as art and culture can achieve it only under socialism. The Berlin theater and music festivals, Berlin's Music Biennial, the political chanson festival, the FDJ summer of songs, the popular and homeland festivals in the city districts, and the enterprise and residential area festivals occupy an important spot in the capital's public life and attest to the continued blossoming of the socialist national culture in the GDR capital.

Berlin's reconstruction also expresses how deeply the socialist society and its citizens are rooted in the progressive traditions and cultural legacy of the city. That is attested to by the Linden Forum, Academy Square with Schinkel's Schauspielhaus, the French Cathedral and the Huguenot Museum, the museum island and Leipziger Strasse and the blocks of apartment houses at the Marx-Engels Forum, not far from where Berlin's cradle once stood.

The obligation to augment and consolidate the reputation, acknowledged worldwide, of Berlin's science, through top research performance and high-grade teaching in the service to socialism and peace, is met by the scientists and associates of the Academy of Sciences, Humboldt University, and the other universities and technical schools, of the Academy of Pedagogical Sciences, the Academy of Agricultural Sciences, the Building Academy of the GDR, and the science institutions under the SED Central Committee: the Karl Marx party college, the Academy for Social Sciences, the Marxism-Leninism Institute, and the Socialist Economic Management Central Institute.

The protection of the citizens' health and the care for their well-being are served by the Charite Hospital, reconstructed and expanded after the 10th party congress, hospitals in the city districts and polyclinics, state and private medical practices, the Academy for Continuing Medical Education, and church institutions such as the Stephanus Foundation that is more than 100 years old and Hedwigs Hospital.

Berlin's development and the life of its inhabitants thus reflect in various ways how through the successful shaping of the developed socialist society and as the result of diligent labor the material and intellectual-cultural vital needs of the working people are increasingly better satisfied. Equal chances for all, safe jobs, an active participation in the exercise of power, health care and recreation, and a care-free old age have become the life's experience of hundreds of thousands in a city of which once miserable quarters, capitalist exploitation and the people residing outside the pale of the law were characteristic. They know of no joblessness, shortage of apprenticeships, rental usury or homelessness. Social security, comfort and confidence in the future more and more inform life in socialist Berlin.

Berlin's development impressively illuminates the unity of socialism and peace. As the capital of the socialist German state, Berlin has become a center, recognized worldwide, in the struggle for peace and international understanding. Through the socialist revolution, here as in all of the GDR the ideas of peace and anti-imperialist solidarity have found a firm home. They deeply affect the thoughts and actions of both the elders and the young generation and pervade all public life. From this city, awarded the honorific, "City of Peace," by the World Peace Council in 1979, rich initiatives emanate today for the implementation of the socialist community's joint peace policy, for the fusion of all peace forces.

In an international situation that has been exacerbated by the fault of the most aggressive imperialist forces, the socialist GDR acts on the principle of opposing with all its strength the preparation for another world war and advocating a peaceful life for the present and future generations. From Berlin, the SED Central Committee, the People's Chamber, the State Council and the Council of Ministers of the GDR are promoting the creation of a worldwide coalition of reason and realism which adopts the goal to avert a nuclear catastrophe and to stop the arms race on earth and not to allow one in space. An increasing number of top-rank meetings with politicians from all over the world, from many capitalist states among them, testifies to the strong response to this constructive initiative that is aimed at political dialogue, understanding and cooperation. Berlin also has repeatedly become the meeting-place of top representatives of the international workers movement, as for the conference of the communist and workers parties of Europe in 1976 and during the Karl Marx Conference in 1983.

The history of Berlin attests to the triumphant march of socialism on German soil. "For the first time thereby in the history of this city and the history of our people, the ominous cycle between progress and reaction has been broken, and everything is done for the people, with the people and through the people."⁸ This city is approaching its great jubilee under the aegis of socialism and peace as a politically stable, efficient and attractive metropolis, a city marked by economic growth and social accomplishments, and the flourishing of science and art. This city is the achievement of its inhabitants and of the entire GDR population. Here in Berlin in April 1986, the 11th SED Congress will confer on and issue the guidelines for the new tasks in the further implementation of the SED Program till 1990 and beyond, to the turn of the millenium.

"May the city's anniversary help further strengthen socialism and peace as well --these words by the chairman of the GDR Committee on the 750th anniversary of Berlin, the capital's honorary citizen Erich Honecker, are the motto of all the people in the GDR. 9

FOOTNOTES

1. "750 Jahre Berlin, Konstituierung des Komitees der Deutschen Demokratischen Republik zum 750jaehrigen Bestehen von Berlin am 7. February 1985" [750 Years Berlin--Establishment of the GDR Committee on the 750 Anniversary of Berlin, on 7 February 1985], Dietz publishing house, Berlin, 1985, p 8.
2. Karl Marx, "Das Kapital," "Critique of Political Economy," First Volume, "Werke," Vol 23, Dietz publishing house, Berlin, 1984, p 743.
3. Karl Marx, "The Situation in Prussia," "Werke," Vol 12, Dietz publishing house, Berlin, 1984, p 686.
4. Friedrich Engels to Laura Lafargue, 30 September 1893, "Werke," Vol 39, Dietz publishing house, Berlin, 1984, p 125.
5. "KPD Central Committee Appeal of 11 June 1945 to the German People on Constructing an Antifascist-Democratic Germany," "Dokumente und Materialien zur Geschichte the deutschen Arbeiterbewegung," Series III, Vol I, Dietz publishing house, Berlin, 1959, pp 16-17.
6. "Aus dem Schlusswort des Generalsekretaers des ZK der SED und Vorsitzenden des Staatsrates der DDR, Genossen Erich Honecker, XV. Bezirksdelegiertenkonferenz Berlin der Sozialistischen Einheitspartei Deutschlands, 11. und 12. Februar 1984" [From the Concluding Speech by SED Central Committee General Secretary and Chairman, GDR State Council, Comrade Erich Honecker, 15th Bezirk Delegates Conference Berlin, of the SED, 11 and 12 February 1984], Berlin, 1984, p 137.
7. Wilhelm Pieck, "Housing Shortage--An Indissoluble Problem in Capitalism," "Gesammelte Reden und Schriften" [Collected Speeches and Essays], Vol IV, Dietz publishing house, Berlin, 1981, p 407.
8. "750 Jahre Berlin . . .," op. cit., loc. cit.
9. Ibid., p 9.

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POLITICS

POLAND

WALESA SAYS GOVERNMENT WILL NEGOTIATE EVENTUALLY

Geneva JOURNAL DE GENEVE in French 2-3 Nov 85 pp 1, 13

[Interview with Lech Walesa, in Gdansk, by correspondent J. Katowica; "Walesa: Sooner or Later, the Government Is Going to Negotiate"; date of interview not given]

[Text] Modest, speaking in a subdued voice (while pointing to the ceiling where the police had installed microphones), wary, unpolished sometimes, but filled with a sense of humor. This is how Lech Walesa appeared, a few days ago, to our colleague, J. Katowica, just back from Gdansk. Yet, in spite of his customary cautiousness and subjects he was forbidden to discuss, the Solidarity leader, during this interview, did not hide his goal: to reopen a dialogue with Polish government leaders (editor).

[Question] After Popieluszko's death, the elections, new arrests and attacks of which you are the target, how do you view the situation?

[Answer] In the more or less near future the government will be induced to negotiate, it will not be able to do otherwise--and these negotiations, we do not know yet what form they will take, will bear on the 21 points of the Gdansk Agreements (1980). It is the only basis for negotiations. Whether the meeting takes place now or later is unimportant. The meeting is inevitable. What is important, is that there will be a discussion of the 21 points.

[Question] Do you think that a change of the head of government will relieve the situation?

[Answer] We do not as yet know the form these negotiations will take. There must be no question of personalities. It will, therefore, perhaps, be necessary for some people to stay away. It is quite possible that I will stay away, if it is necessary. We are fighting for reform, not for names.

[Question] As a result of Father Popieluszko's murder, do you think the situation has solidified?

[Answer] It is true that we lost a great man in Popieluszko, that Poland has lost a great man. At this moment, his death is what is uniting us, is mobilizing even more--his death is the mortar that holds us together.

[Question] On the first anniversary of Popieluszko's death, Cardinal Glemp delivered a homily in which he recalled the priest's assassination, and, among other things, raised the subject of abortion.

[Answer] Cardinal Glemp's sermon was very interesting; however, people have not always understood the sermon as it ought to be understood. It is necessary to look farther, to broaden one's horizon. Popieluszko's death is a great thing for us and Cardinal Glemp has raised it to a very high point—he was right to do that.

His sermon may not satisfy everyone now; however, he is building for the future. Popieluszko's death must be treated as a much larger subject. As for abortion for me as a Roman Catholic, it is a serious problem. Among those children not born, how many Popieluszkos might there have been?

"An Amnesty Is Useless, Unless..."

[Question] Do you believe that an amnesty would make it possible to relieve the situation?

[Answer] Since I am not in the government officials' shoes, I cannot say. I have no desire to be the government. Besides, I am certainly not gifted enough to be that. In any case, an amnesty will lead to nothing, if it is not combined with an effort to open serious negotiations. Some prisoners will be released and within one, two, or ten days, others will be locked up. We do not want to fight to seize power. We only want the public to be heard and to be allowed to express itself. We must maintain differences of opinion, which allows everyone to work for the same cause, for the same goal, and in the same direction. That is what pluralism is all about.

[Question] Mr Urban, a government spokesman, speaks of Solidarity's defeat in connection with the boycotting slogan during the last elections on 13 October...

[Answer] It is one thing about which I have not had to give my opinion. It is a personal choice. As a trade unionist, I do not have to deal with it. The vote itself is unimportant, because the real problem and the real negotiations must deal with pluralism, as I have already said.

[Question] After the dissolution of Solidarity, the government set up new unions and it is public knowledge that the pressures you and the leaders of Solidarnosc have been subjected to, to get you to join these new unions.... At what point is it now?

[Answer] It is the same problem. I shall concern myself with it when, inside the country, the various aspirations of the Polish people can be expressed. The 21 points of the Gdansk Agreements remain the guarantors and their enforcement will give meaning to these trade unions.

[Answer] Does Solidarity—outlawed and suppressed—have an answer to give the government, does it have a war strategy to propose?

[Answer] Yes it does, it has already begun and will continue to carry out its strategy in three stages. The first stage, which began immediately after the coup d'Etat, was, as a matter of fact, by brilliant feats of arms, a nullification of what had happened on 13 December 1981. This stage is now completed. The second stage of its strategy is to establish a new program for the future. We do not agree with what is presently being proposed to us—it repudiates what we have asked for. We must have a more political program, made up of proposals based upon firm and technical measures. This second stage is very important and must be worked out in the smallest detail.

In the third stage, we shall study "how to implement these proposals".

The first stage was achieved by a skillful use of weapons and by a great number of people. The second stage is being played out behind the scenes, it is less spectacular. It does not involve a great number of people; however, even if it is less visible, this stage is the most important and the most difficult one. It will show our capacity to attain our objective. It is more difficult to be constructive than it is to continue saying "no".

As for the third stage, we shall again need many people. This stage of our strategy presents two possibilities. Either we shall go back to operations identical with those of August 1980, e.g., strikes, demonstrations.... Or, it will be by some other means—we are presently thinking about it. Maybe it will be like it was with Franco, where, without any visible organization, the public organized itself against him; the ground around him fell away. We are experimenting on phenomena that are well-known in other areas, but which our geographical position does not allow us to develop. From outside Poland, we must appear silly. If I were living in the West, I should expect it sometimes. We do not do what we want, but what we can do. We know that the means exist, which are good, but which cannot be developed in our country.

"I Do Not Know"

[Question] You have taken the situation in Spain, during Franco's time, as a model. Do you have other models?

[Answer] I simply take those people around me for my model. I am not a specialist in many subjects.

[Question] Do you believe, as some people say, that once more the West will abandon you?

[Answer] I pay no attention to what people say, I do not wait for applause. I do the best possible, what I believe to be good. I do not have the time to think of everything; my work takes most of my time, and I also have the right to a life with my family.

[Question] Do you still believe in Dubcek's "socialism with a human face"?

[Answer] I do not know, I am not a political man. To be that I should have to learn still more things. In any case, we do not think about great names, but about reality. We do not like big words or theory. For my part, I prefer to put myself in a prescribed area. My objective today is to act so that tomorrow will be better. I want to know more than my parents knew and to act

so that my children will know more than I do. I repeat, it is not names that are important--reality is. It is the same for freedom. It has a different meaning for each person. For an Indian, it would be to jump wherever he wants; for an American, to be president of the United States for at least fifteen minutes, and for us, it is the 21 points of the Gdansk Agreements.

[Question] I heard you speak, in an interview, of the "sacredness of work", what do you mean by that?

[Answer] Work must become worthwhile again and, particularly, we must be able to see its results. Man must have a higher goal, he must always be searching for something better, a higher goal. Each person has a different relationship with work. In Poland, which is predominantly Roman Catholic, work is influenced by our faith. We are seeking a larger meaning to life.

"To Heaven!"

[Question] Some people like Kantor say that they would not, for anything, want to live anywhere but in Poland, in spite of the situation. You are even credited with having had a talk with the Pope in which you allegedly said that "at least in Poland, one does not get bored!"

[Answer] People have distorted my words. What I said was that, as a Christian, there is a greater chance to live better in Poland. Life is filled with problems. If life is too perfect, there is a loss of life. In our situation, the Poles are beginning to find a larger meaning to life, and it is, perhaps for that reason, that they are going to church.

[Question] Speaking of your retirement, you stated that you would look forward to doing what you have longed to do. What will then be?

[Answer] I do not know, I do not know yet... perhaps go straight to heaven... so that I can get some rest!

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POLITICS

POLAND

READERS REACT TO GORBACHEV'S TIME INTERVIEW

Reader Praises Gorbachev

Warsaw TRYBUNA LUDU in Polish 6 Sep 85 p 2

[Article by Zbigniew Spychala]

[Text] I am a worker, and I am interested in the life of my factory and my country, but my eyes are also wide open to what is happening in the world. Everything that has to do with the issue of war and peace affects me, my family, and those who are closest to me. One need not be a great politician to realize that whether there is a global tragedy and whether our lives are peaceful or filled with constant anxiety about the future depends on two powers: the USSR and the United States. We ordinary people, concerned about the problems of daily existence, figure it this way: these two powers have to reach an understanding or else otherwise the world will go under. Therefore, while reading in our press the Soviet leader's interview with the American periodical TIME, I reflected.

Never before in my life have I held that journal in my hand, and I do not know what subjects its editors usually write about, but that is not the point. I was struck in particular by the sense of tremendous responsibility for our future expressed in the statements of the Soviet leader and the awareness of the power of the socialist bloc, but also the wish to break the vicious circle of the arms race, which, in the event of nuclear war, may end in the end of the world. It is high time for the Americans finally to realize that the USSR today is no longer a giant with feet of clay, as it was called some decades ago, but a world power: military, economic and political.

I read in our newspapers that interesting things are also happening inside the Soviet Union. The new, young, energetic General Secretary of the CPSU has opened new vistas to the Soviet people, and has begun by straightening out many internal problems; a severe battle is taking place there with those who hamper progress—with drunkards, slackers, poor management—and they are reforming their economy, betting on more modern techniques. People who do not understand this are being removed, and the young people are being relied upon. I am very much in favor of these methods of battle, such as those used in combatting the plague of drunkenness. I believe that our country too should follow the example of these methods of fighting evil phenomena. These steps not only strengthen our Eastern friends internally, but they also bolster the USSR's standing in the world. There is a leader there who is looking far into the future, who

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knows what he wants but also understands very well the desires of the ordinary people: a peaceful, stable job, without fear for the future, a job which assures an adequate livelihood.

Therefore, whether one likes it or not, today the Western adventurers must take into account the power of the Soviets and of the entire socialist bloc. The times of intervening in our internal affairs, threats and saber-rattling, are over. And for us there is one lesson: they will have to reckon with us when we are strong in unity. This pertains also to Poland, our internal unity and our alliance with our great neighbor to the East and all the countries of the socialist community.

USSR Viewed as Major Peacekeeper

Warsaw TRYBUNA LUDU in Polish 7-8 Sep 85 p 2

[Article by Krystyna Krzeminska]

[Text] Not long ago there occurred two successive anniversaries of tragic events that shook the people of the world: 40 years since the United States dropped atomic bombs on the Japanese cities of Hiroshima and Nagasaki, and 46 since Hitler's aggression into Poland and the outbreak of the second world war. To me, living in the Lublin province, the Majdanek territory, the meaning of those days is one and the same. The message engraved on the monument to the victims of Majdanek has engraved itself deeply upon my heart and mind: "Let our fate be a warning to you."

I welcome with great joy every action, even every gesture contributing to the preservation of peace in the world. But then what woman does not want to raise her children in peace and share in their happiness? The announcement of the summit meeting in Geneva between the leaders of the two superpowers, the Soviet Union and the United States, was like a ray of hope to me in today's complex situation. It seemed that all we need now is only one more step and we shall be able to sigh a big sigh of relief. But as has now become evident it is too early for optimism. This is evident from the very first words of the interview of the general secretary KC CPSU with TIME Magazine, describing the further deterioration of relations between the two countries, intensification of the arms race and the relentless threat of war. The American response to the Soviet moratorium--military experiments with antisatellite weapons, which in the future are supposed to make the cosmos the battlefield of star wars--speaks for itself. How far have we strayed from the joint flight of the "Soyuz-Apollo," which was an object of such passionate interest for the inhabitants of both hemispheres!

In that unprecedented interview, Mikhail Gorbachev described clearly in a manner comprehensible to ordinary people the current tense political situation of the world, underscoring both superpowers' responsibility to all mankind to maintain peaceful order. It is a pity that only one side--the Soviet Union--accepts this responsibility. It is clear that the arms race forced on us by American imperialism leads nowhere. The scientific and technical potential of the Soviet Union is capable of responding to this challenge. But the consequences of filling the arsenals with constantly improved means of killing

can be tragic, which Mikhail Gorbachev expressed in a dramatic statement: "Whether we like one another or not, we can either survive or perish only together!" This is the hard reality and one side's attempt to change it is a priori doomed to failure.

My attention was drawn not only to international affairs, but also to the domestic affairs of the Soviet Union, about which Mr Gorbachev had much to say. The idea of accelerated socioeconomic development of the Soviet Union, which is already being implemented, is extremely interesting. According to the general secretary of the KC KPZR, its ultimate purpose is supposed to be not a mania for breaking records, but the improvement of the daily life of the working people. A contributing factor would be the cessation of the arms race, which will permit the means that are now designated for defense to be expended instead to raise the standard of living of the working people and for peaceful development of the Soviet Union.

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POLITICS

POLAND

READER BEMOANS CALIBER OF PRE-10th CONGRESS DEBATE

Warsaw NOWE DROGI in Polish No 10, Oct 85 pp 189-91

[Letter to the editor by Jerzy Jagielski, Polmo--Warsaw, 3 Sept 85:
"Between Distortion and Insinuation"]

[Text] Below we publish a letter by agreement with its author and with the editors of the weekly SPRAWY I LUDZIE; it concerns issues discussed in NOWE DROGI.

To the editor of SPRAWY I LUDZIE

Wroclaw

I have handled party training in my basic party organization for many years, and as a consequence I have read many publications on ideological and program questions. Thus, I perused the discussion of the PZPR program published in NOWE DROGI with interest. The editors organized the discussion on 11 February and published it in the May issue. Here dates are important, for Cezary Sikorski's article "Between Utopia and Dialectical Realism" appeared in SPRAWY I LUDZIE on 25 July. It summarized and reviewed the discussion published in NOWE DROGI. Sikorski labored over his article for a long time. What conclusions did he reach?

After rereading the discussion I can state that Sikorski's review attempts to usurp things that properly belong only to the 10th Congress of the PZPR. The essential information, presented in Andrzej Czyz's statement clearly shows that a multistaged preparation of the proposed program is anticipated. After being approved by the Central Committee the proposal will be discussed by the whole party prior to the congress, which will have the last, summary word. I believe that is why the editors of NOWE DROGI did not end the discussion with a final summary but promised to publish other views. In the August issue three important comments appeared, again without a summary.

Cezary Sikorski and the editors of SPRAWY I LUDZIE proceeded in the opposite manner. In July they published an article that evaluated the state of the program in February. Moreover, they usurped the right to prejudge the final decision to be made a year from now after further work and discussion. This is an example of humility worth noting.

The second aspect of "Between Utopia and Dialectical Realism," the substance of the review of the discussion published in *NOWE DROGI*, falls somewhere between distortion and insinuation. Not fragments but fragments of fragments were taken out of context. The prepared excerpts that do not match the actual logic of the discussion serve as a method for putting words into the discussants' mouths. It is but a short step then to frequent libels in Sikorski's review.

This method still lurks about the edges of our ideological life. It hampers discussion and reaching proper conclusions. By substituting intrigue and name calling for good arguments, it causes animosity and produces sensationalism that distracts attention from the merits of problems. It contradicts the adherence to principle to which those who impute the worst intentions to others gladly appeal.

Sikorski a priori divided the participants in the discussion into three groups: supposed opponents of a long term strategic plan rich in theoretical content; supporters of a long term program who, however, oppose an opportunistic conception of dialectical realism to a narrow technocratic pragmatism; and positive heroes, of whom there are one and a half: Tadeus M. Jaroszewski and partly Mariusz Gulczynski.

This division (I will not determine its source) enriches the insinuations. If in opening the discussion Stanislaw Wronski laid out the accurate thought, which has clear, realistic significance, that a program for the rate of growth should reject straggling along in the rear suitable only for the underdeveloped and utopian variants suitable only for the most dedicated, Sikorski falsely derives from this in a confused manner (or does he understand) a new interpretation of Aristotle's "golden mean," which after August became the slogan "neither left nor right, but straight ahead." He also failed to notice that Stanislaw Wronski mentioned the unsolved task of building the foundations of socialism, by name and emphasized they must be included in the program.

But when the positive hero of the review states that these issues "must be discussed objectively and without euphemism," Sikorski applauds his generalizations. When the antiheroes name these issues specifically, he accuses them of using euphemism. One wishes to ask Sikorski, as he asked them: "What does that mean? It would be worth finding out," It is worth it. Perhaps Sikorski will tell us?

There are many other distortions that launch other insinuations. When Ludwik Krasucki states that "we should oppose narrow pragmatism and support pragmatic invention, hard realism; oppose the ivory-tower doctrinaire and support the vibrant, bold, and imaginative," Sikorski imputes to him complete isolation from real trends in development, which Krasucki discusses repeatedly. The same operation is applied to Andrzej Czyz, who properly opposed the specific to two extremes: escape to general laws and a historical ideals and formulating working plans at the tactical or even operational level. Every mention of keeping one's feet on the ground makes Sikorski froth at the mouth and produces insinuations unsuitable for a logical discussion: "based on the opponent's manner of reasoning," or "not to say capitulationist."

This desire to engage in revolutionary bidding and showing oneself a better communist, the only man of principle in Sodom, is not new. A glance at Lenin's warnings against "left communism," "the childish disease of leftism," "hurrah revolutionary phrases," "ideological prattle," and "worthless great words" proves this point.

In one column Sikorski claims we are in the middle of the transitional period, in another that socialism is not distant. How many years or perhaps months does he believe Poland needs to build full socialism? Does he remember that haste is only useful in hunting fleas?

The other discussants also receive their portion of insinuations. Wladyslaw Kwasniewicz suffered for merely mentioning the issue of the gradual divergence from elements of the dictatorship of the proletariat and increasing the traits of a universal nation state in our constitutional order, which is one of the key issues in theory and practice in all socialist countries. Jozef Pajestka received his for "classically liberal arguments," for asking the cardinal question: how to reconcile socialism and egalitarianism with material incentives?

Kazimierz Doktor offended Sikorski not only because a colleague from the same institute called him "colleague" but because he broke out of the pattern of good and bad discussants and emphasized that socialization and socialist egalitarianism must be deepened. For this cowardly deed, he was accused of discarding socialism in favor of "the bourgeois conception of a postindustrial society," as if he was not speaking of Poland.

Jerzy Albrecht received a particularly low grade for emphasizing that the ways to completely overcome the long term consequences of the crisis must be specified in the program. Does Sikorski live in a country that has suffered no collapse and felt none of its effects?

It is the merit of SPRAWY I LUDZIE that it has warned us against discussants who pretend to the role of reviewer and summarizer, who contribute little, but who sharpen their criticism of all available targets with distortion and insinuation. I wish the editors of NOWE DROGI continued success in the discussion they have begun in such an appropriate manner, and I wish to note that Cesary Sikorski has helped them. He has shown him not to discuss the program and what should be avoided in the debate.

Jerzy Jagielski

Polmo-Warsaw

3 September 1985

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16 January 1986

POLITICS

POLAND

PRON FORUM ON CATHOLIC SOCIO-POLITICAL RESPONSIBILITY

Warsaw ZYCIE WARSZAWY in Polish 5 Sep 85 p 2

[Text] What is the scope of responsibility of Catholics for the country's sociopolitical life; what meaning should the upcoming Sejm elections and participation in fulfilling state authority have for them? The participants of the latest meeting held in Warsaw on the 4th of this month tried to find an answer to these questions within the framework of a forum of socio-Catholic thought. This group, which functions alongside the PRON [Patriotic Movement for National Rebirth] National Council, is concerned with the dissemination and explanation of the meaning of the Church's social teachings and searching for methods of implementing the tasks of lay Catholics which arise from these teachings. The activity of the forum, which brings together mainly Catholics who are not members of sociopolitical organizations, offers the possibility of expanding PRON's base and enriching its planning ideas for proposals pertaining to the moral renewal of the state and the nation.

The chairman of the forum and vice chairman of the PRON National Council, Prof Jerzy Ozdowski, presented the substance of the Church's documents concerning the public responsibility of Catholics.

During the course of the forum, among other things, the need for activeness among lay Catholics in the face of the October Sejm elections was stressed. "Standing on the sidelines," it was stated, "is not in keeping with Church precepts."

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POLITICS

POLAND

TWO VIEWS OF PRON DISCUSSION MEETING

Social Survey Quoted by Gebethner

Warsaw ZYCIE WARSZAWY in Polish 2 Oct 85 p 2

[Text] Meetings of the Central Discussion Club of PRON are usually very interesting. This is true not only because of the selection of topics, but also because of the fact that at the discussion table one meets people of various opinions and various world-views. It is a forum for the exchange of thought between Marxist and Catholics, people of various orientations and occupations. The essential element is that it is an open club. All who are interested in a given topic may come to the discussion meeting.

The first post-vacation meeting of the Central Discussion Club was dedicated to the attitudes of the Poles. What are we like? What relationship do we have to our leaders, to our government, what do we think about the reasons for the crisis, do we see any ways out of it, what value system do we have?

The discussion began with an introduction by Assistant Professor, Dr Stanislaw Gebethner. He presented the results of sociological research (unpublished -- we hope that they will appear in the very near future) conducted last year. This is not an official picture of the country, which would be given by the Center for Research on Social Opinion [CBOS], however the results concur with the CBOS.

And so -- what are we like, what are we in favor of? The results of the sociological research show that we are in favor of just and strong leadership and that we also desire participation, a share in the decision-making. We highly esteem the system of social values, especially social justice and the right to work.

Are we a polarized society? The research results have led Prof Gebethner to set forth the thesis that we are divided into three groups and that the most numerous comprises the "middle," who answered "It is hard to say" to most of the questions posed to them. Why is it "hard to say?" Participants in the discussion were of the opinion that such an answer is not the result of ignorance, but -- of a certain pose or doubt, that many of the people had difficulty giving a decisive "yes" or "no" to the questions asked.

Independent of the number of this "middle", it can -- in the opinion of the discussants -- plan a significant role, it could become a pressure group with its own characteristics, which would have to be recognized.

Citizen's Relationship to State, System

Warsaw RZECZPOSPOLITA in Polish 2 Oct 85 p 2

[Passages in slantlines printed in boldface]

[Text] /The results of research in the social sciences can have a fundamental influence on the course of events -- they clear a path to the truth about the society, its desires and aspirations. With this assertion Prof Mikolaj Kozakiewicz opened the first post-vacation meeting of the Discussion Club at the Commission for Moral Rebirth and Social Education of the RK PRON on the first of this month. The topic was the relationship of Poles to their country and government.

The above mentioned research was conducted by various science centers throughout the country. Close to two thousand respondents from all over the country expressed their opinions on questions about our politics, ideology, principles of government, realization of the goals of our economic policy, etc.

This research distinctly demonstrates that our society is not -- as it is often considered -- divided into two parts: those who are for the authorities and those who are against them. A large group of people has appeared who have chosen the category "it is hard to say" from among the possible answers, which was found between the affirmative and negative answers.

The discussion concentrated on this "middle." One of the first participants stated that one of the characteristics of authoritarian governments is the disregard for the opinion of society. It is evident in everyday life that the government would like to obtain the opinion of the society; though it is sometimes worse on the lower rungs of authority. Instances of disregard for the voice of opinion and even common arrogance are not rare. This is the source of the widespread opinion that it is difficult to exert influence on the actions of the authorities.

The political "middle" in Poland is a constant factor of our situation. Its existence can only fill us with optimism. For it means that we are a healthy society, because we are differentiated in outlook. This "middle" can even be a positive element of pressure on the radical powers who are desirous of winning them over.

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POLITICS

POLAND

HIGHLIGHTS FROM 'DZIENNIK USTAW'

Warsaw RZECZPOSPOLITA in Polish 21 Oct 85 p 6

[Text] Issue No 45 of the latest DZIENNIK USTAW, dated 9 October 1985 involves directives of the Council of Ministers relating to the following:

To profit from the achievements and experiences derived from dealings with our foreign-partner businesses and firms with whom we are engaged in small scale production ventures.

Plan for a 1986 census of individuals operating private farms.

Establish procedures providing controls capable of regulating poppy and hemp cultivation, effective methods of overseeing the destruction of surplus poppies, their stems and hemp harvests, or as an alternative, have the proceeds from their sale transferred to a National Treasury Account.

Provide guidelines for the establishment of reward systems at individual Public Highway Departments within the jurisdiction of the Ministry of Transportation.

Eliminate compulsory payroll deductions going into the National Vocational Development Fund which is levied on the portion of 1985 wage increases.

The ban on sale and serving of alcoholic beverages during 12 and 13 October of this year.

In addition, decrees have been published by the Minister of Justice relating to the limitation of responsibilities directed toward individuals operating hotels and similar establishments for profit.

In the area of health and public welfare:

The first decree pertains to the organizational structure and regulation of health, rehabilitation and retraining centers for indigent individuals.

The second, relates to the establishment of specific guidelines governing the treatment of social-dependant and for those who have been convicted for felonies related to the use of narcotics and psychotropic agents.

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POLITICS

POLAND

TRADE ACTIVITIES NOTED

Gdansk Area Unionists Meet

Warsaw ZYCIE WARSZAWY in Polish 7 Oct 85 p 2

[Text] The first planning-electoral congress of the Provincial Agreement of Trade Unions took place in Gdansk with the participation of more than 300 delegates representing 600 unions. There are already 845 unions operating in the province whose members comprise more than 51 percent of all workers. The importance of this event in the life of our country was emphasized many times in the course of the discussion, since it is the first instance in the history of the PRL [Polish People's Republic] when assurance has been given in the electoral laws of the ability of the trade unions to submit candidates for deputies to the Diet. The congress ratified a plan of activity for the years 1985-1988 and elected new leaders. Bozena Tarnowska, a worker in the PP [State Enterprise] "Jubiler," was elected president of the WPZZ [Provincial Agreement of Trade Unions]. Participating in the congress was the deputy member of the Political Bureau of the KC [Central Committee], the first secretary of the KW [Provincial Committee] of the PZPR, Stanislaw Bejger.

Unionists' Three-Year Plan Discussed

Warsaw TRYBUNA LUDU in Polish 7 Oct 85 p 2

[Passages in slantlines printed in boldface]

[Text] Eight hundred forty five trade unions, comprising a total of more than 200 thousand members, operate in the businesses of the Gdansk Coast.

/At the congress convened on the fifth of this month trade union activists called together the Provincial Agreement of Trade Unions and adopted a program of activity for the next few years (1985-1988)./ . . .

The Coastal Unionists adopted principles of common activities in important areas of the socio-economic life of the province and resolved to broaden interorganizational cooperation in solving the problems of apartment building, trade, environmental protection, work security, health services and education. . . .

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Participants in the congress addressed an appeal to the unionist-residents of the Coast for widespread, active participation in the elections to the Diet.

OPZZ Chapters Oppose Union Federation

Warsaw TRYBUNA LUDU in Polish 7 Oct 85 p 5

[Article by Jaroslaw Karczewski: "Why Not in Federation? Too Much and Too Far" Passages in slantlines printed in boldface]

[Text] In the wake of the drive for independence and self-sufficiency, 131 federations with a nation-wide scope came into being in the union movement. There are strong, vital organizations among them with several hundred thousand members. They have control over large sums of money for their activity and possess a well-developed network of rest-homes and sanatoriums.

There are also such nation-wide organizations which have only a few dozen thousand or even a few thousand members, and their potential for activity on a given scale at the branch level and their type of employment are severely limited.

It is therefore not surprising that the employees in the factory unions sometimes do not see any advantage for themselves in applying for access to a parent federation (by trade) and are seeking other possibilities of common activities for the protection of their trade and general worker's interests.

This helps to explain the relatively rapid rate of creation of regional cells in the reborn union movement, not only in the shape of provincial agreements sanctioned by the statutes of the OPZZ [All-Poland Agreement of Trade Unions], but also of units of narrower scope.

Such structures came into being, among others, within the framework of the Warsaw Agreement of Trade Unions. They are assembled into the following organizations: Mokotow, Ochota, Wola, Praga, Zoliborz and Center City, each with its own administration and program of activity.

Of what good are they?

Speaking here are the president of the District Council of the Northern Praga Agreement of Trade Unions, /Czeslaw Piechocinski/, from the Food Machine Institute and the vice-president of the Council, /Andrzej Wisniewski/, from the Workers' Building Society "Praga."

/--In our factory organizations we have decided not to join the federations, above all because we have reservations about their excessively fragmentary organization and their too loose contacts with the factory organizations./ In addition, affiliation with the federations demands that the factory organizations assume the costs of their upkeep. At this time our dues are low -- 0.5 percent of gross earnings, and so our modest budgets cannot bear the additional burden.

As organizations remaining under the constraint of many demands of various types of employees: construction workers, supply workers, sanitary workers, communication workers, legal employees, etc., we have a greater chance of solving their problems through local negotiations, since in this way we have direct access to the proper authorities and politico-social organizations, and hundreds of people from Warsaw and the surrounding areas come to us for the social services of our employees.

Our activity is integrated in this area. Each problem solved gains us new members.

/As long as the nation-wide structure continues to be as fragmented as it has been until now, we will not accept the arguments for joining them, since our motto is "strength in unity."/ Practical experience in this matter confirms the validity of this viewpoint.

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POLITICS

POLAND

FIRST POLITICAL POSTER SYMPOSIUM FOCUSES ON NUCLEAR ISSUES

Warsaw TRYBUNA LUDU in Polish 15 Oct 85 p 5

[Article by (Wa): "Opposition to Nuclear Annihilation".]

[Text] An international symposium of political poster publishers is presently convening for the first time. The symposium opened on 14 October 1985 in Zaborowie, near Warsaw. It will last 8 days and be inundated with reports and discussions.

Representatives of publishers from the USSR, CSSR, Bulgaria and Hungary, specializing in the field of visual propaganda; namely, printed matter in the form of posters, are participating in the symposium. The National Publication Agency [KAW] is the organizer. In addition to KAW's representatives, delegates and members of education analyst agencies, national socio-political organizations from other socialist bloc countries are in attendance. The 40th anniversary of fascism's defeat, actions to avert nuclear war and the preservation of peace are the topics on the agenda of this symposium.

The first day's speaker of this international gathering was the deputy delegate standing in for a member of the Central Committee PZPR's political Biuro, editor of ANS, Prof Marian Orzechowski. He opened the meeting of the publishers, writers, politicians and political scientists with a speech dealing with the historic implications of the triumph over fascism. In the concluding segment of his speech he reflected upon the historical and political aspects of the Yalta and Potsdam agreements, noting them to be the foundation for the establishment of order and maintenance of peace in Europe and the rest of the World. The idea for creating the symposium was the result of contacts made by KAW with the publishers of the Central Committee PZPR's "Plakat" [Poster]. Ultimately, representatives of similar publications met to exchange views and experiences along with the use of suitable graphics of political propaganda. The foremost goal in mind is to reveal facts, forewarn, fight against nuclear annihilation and promote peace with the aid of posters and books.

Jerzy Majka, director of the Information Division of the Central Committee PZPR attended the first day's session of the symposium.

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POLITICS

POLAND

SCHOOL'S IDEOLOGICAL ROLE NOTED BY BLOC EDUCATION MINISTERS

Warsaw RZECZPOSPOLITA in Polish 24 Oct 85 p 5

[Article by (skow): "The School's Role in the Ideological Struggle.]

[Text] According to an announcement of the Ministry of Education, the sixth conference of socialist bloc countries will be held in Cracow and Warsaw from 18 November 1985.

The subject matter under discussion will be "The Role of the School in the Ongoing Idealistic Struggle". The meeting will also be attended by delegates from countries entering into the socialistic sphere of development. The conference will afford the occasion for the establishment of a reciprocal exchange of information in the endeavor regarding changes in education and guidance techniques employed by the attending countries.

A total of 20 countries have been invited to attend the conference, 18 of which have already given their assurances that their delegates will come to Poland. In the ranks of these delegations will be the ministers of education, representatives of central party committee and delegates of youth organizations who have been invited to participate for the first time.

Ministers of education conferences convene every 2 years since 1975. This is the first time Poland is the organizer. In the past, meetings were held in Moscow, Sophia, Budapest, Berlin and Havana. The subjects discussed at these conferences centered around the role of the school and teacher in the furthering of socialism. Also considered were methods for indoctrination of the youth, aiming for the formulation of its global outlook on life during the contemporary educational process and also in their extracurricular activities.

The theme of this conference: "Role of the School in the Contemporary Ideological Struggle", as pointed out by the Minister of Education Boleslaw Faron, is extremely important as has been evidenced by a multitude of events transpiring in today's world politics. This presents a troublesome situation observed by us in recent years within our education system. At the conference, Poland disclose its latest and most interesting corrective measures introduced into its educational procedures.

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POLITICS

POLAND

STUDENT SOCIO-POLITICAL AWARENESS

Warsaw NOWE DROGI in Polish Oct 85 pp 81-88

[Article by Adam Pawlak: Students' Socio-political Awareness]

[Excerpts] In characterizing students' awareness, it should be noted that the partial change in their views results, among other reasons, from the processes taking place in the social reality of our country. In 1981 the students at the Gdansk Technical University expressed disbelief in the ideals and values supported by the PZPR and a lack of trust in state institutions (authorities). Further, they regarded the programs as mere facades, and they believed official propaganda was false.

Among their highest values, the students listed the family, democracy, justice, equality, religion, patriotism (frequently equated with nationalism). An increase in social activeness in comparison with 1979 and an increased desire to discuss domestic issues was readily apparent.

The students attached great importance to the student self-government as their genuine representatives. They forcibly pointed out the differences between self-government's socialist principles and their functions in practice. Students emphasized that their living conditions are the most difficult and that social policy for students should be changed radically.

Idealized socialism is deeply rooted in students' views, and it has become the model for evaluating a long list of social policies in Poland (the implementation of social justice and equality, of democracy, of the economic reform of censorship, etc.).

The socio-political awareness of students in 1981 is the only institution guaranteeing the moral rebirth of the nation and the unity of society. Polls from 1981 showed that about half of the students criticized existing socialism primarily in terms of bourgeois ideology and not marxist (totalitarianism, collectivism, exploitation of citizens by the state, no unemployment, etc.).

The data from the polls in 1982 confirmed the results from 1981, but new tendencies appeared in students' awareness. During the later period the respondents exhibited discouragement and disappointment with the authorities' decisions and with the expansion of opposition. The students ceased believing

in the possibility of a democratic socio-political life or of overcoming the economic crisis in the near future. The respondents were significantly more disinclined to undertake volunteer activities, to belong to civic organizations, or to believe their willingness, ambition, and qualifications can be used adequately. The students had a positive attitude toward the private sector because the West has shown good results in this sector. The respondents believed the Church's and the Catholic religion's role in society and in humanizing Polish society and in reawakening it morally has grown. The percentage of believers among students, however, increased only slightly (3.5 percent). On the other hand, the prestige of work as a personality creating factor declined.

Among students' goals and desires, a happy family life and a group of close friends occupied a prominent position. The desire to retreat to private life, to traditional family values is clear. The search for happiness in love and in a religiously oriented community was associated with a view of the Church as a pillar and protector of these essential values. Young people at that time did not see any clear prospects for themselves; the future was uncertain and provided no chance for a decent life.

Polls from 1984 show small but significant changes in student's awareness. It still differs from the awareness postulated by marxist ideology and expected by the state. Students retain a well developed sense of the nation, but it does not include any sense of the state. Moreover, they still question some of the state regulations. In the students opinion, it still is unrepresentative of the people's interests. They also emphasize that socialist democracy is insufficiently developed, and they frequently mention deformations (no pluralism, undemocratic elections, etc.). The respondents also note an internal division in society and evaluate it according to their own subjective feelings.

The majority's vision of the future is not pessimistic, although they believe overcoming the crisis will take a long time, and 12.4 percent of the respondents believe it can never be overcome completely. The prestige of good work rose from seventh to fourth place.

Students are aware of the need for genuine activeness, but they do not see any chance for undertaking effective action. Students' activeness and optimism that they can achieve their goals in life rose only slightly. The polls also showed a great variety of attitudes and a great degree of criticalness, which at times verged into cynicism. The students, however, accept many ideals and values of socialist society (equality justice, democracy, respect for person, toleration, etc.).

Students still regard many of the slogans and programs of the authorities as mere declarations. They do not trust the new socio-political institutions and youth organizations, but they do not deny the need for them.

In conclusion, the polls should be considered more often in making policy for shaping the younger generation's attitudes.

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POLITICS

POLAND

STUDENT ORGANIZATIONS, AFFILIATIONS HIGHLIGHTED

Warsaw NOWE DROGI in Polish No 10, Oct 85 pp 61-72

[Article by Antoni Dragan: "About Youth's Problems: Polish University Student Association--Traditions and the Present"; passages in slantlines rendered in boldface in text]

[Excerpts] In order to evaluate why/entering university studies/leads/to ending volunteer activities/and to develop effective counter measures, we must examine the political attitudes among students. We must remember that some students already have a well-developed views and values. We will consciously turn to an analysis of students' living conditions and the effectiveness of policy toward students.

1. In general these elements characterize the structures of students' political life:

a) Socialist student and youth organizations (ZSP[Polish University Student Association], ZMW[Rural Youth Union], ZHP[Polish Scout Union], and the ZMSP[Union of Socialist Rural Youth]) actively support socialist transformation in institutions of higher learning and socialist reform and renewal begun with the resolutions of the Ninth Congress of the PZPR.

Recent events within socialist youth organizations have slowly but surely increased their political influence. At present the ZSP has about 30,000 members, which is surely no reason for satisfaction, but the figure should be compared with the 400 people who participated in the founding congress in November 1982. The evaluation of the development of the association so far at its congress in March 1985 made possible examination of the strategy, proposed by some chapters, of avoiding political issues and concentrating on concrete activities instead of developing a broadly based program of political action. Recent experiences confirmed the ancient truth that one secures his place through effective struggle for the interests and position of the organization.

The forms and direction of the ZSP's political action are contained in the resolutions of the 12th Congress—"We approve of and are implementing the values in the program of socio-political change adopted by the party's Ninth Extraordinary Congress."

b) Student self-governments, scholarly groups, and some student representatives in collegial organs of higher institutions, which function under current law, have taken advantage of this to express opposition in their statements.

Frequently, they have initiated various resolutions and political statements (not permitted by law) expressed in the name of the academic group, or they have blocked student representatives) resolutions that pose problems for some professors in the senate or department council. For part of the academic authorities and academic community the student self-government was their organization, and it did not represent all students interests in the educational process or the distribution of material assistance from the state. Characteristically, at most institutions the creation of self-governments produced mere facades both at the institutional and department levels that took no interest in what happened at the lowest level. The academic community believed that this self-government was a superorganization that distributed money for organizations and created an alternative for the undecided students.

I emphasize that this occurred at some institutions, but they were the ones that established the pattern for student self-government. The most recent example is the press conference organized for Western correspondents by the Warsaw University self-government on 27 July, in which a dozen or so self-governments from all over Poland participated. They opposed revising the statute.

c) Illegal groups of students are attempting to reactivate the NZS [Independent Association of Polish University Students] and to implement an opposition program. Number 49 of the illegal bulletin KOMMUNIKAT [Communique] of the NZS at Wroclaw University and Wroclaw Technical University presents the tasks and goals characteristic for these groups. In an attempt to draw students to their proposed goals, the supporters of the NZS feign objectivity and severely criticize their organization's actions before 13 December 1981. They claim that the basic goal of the NZS was a Poland based on political pluralism and free elections. Differences existed only on how to achieve this goal. Evolutionists invoked KOR [Social Self Defense Committee] and believed the path to democracy led through gradual, open, and self-limiting political action. Fundamentalists believed that limits have no meaning, for a global solution, the transformation of the internal system in accord with the will of most Poles, is within reach. The NZS's action before 13 December 1981 resulted from these conflicting interests. December showed that neither the independence tactic (evolutionist or fundamentalist) nor the minimalist tactic could bring success. The mistake was supposedly only the method.

Admitting political bankruptcy forces not only a change in strategy but a change in goals. The contrast between the sporadic proposals to relegalize the NZS and the constancy of those for Solidarity testifies to their bankruptcy. The authors admit that in the present situation updating the pre-13 December program (whose support among students has declined) is essential. They claim that their goal is an independent, democratic Polish state that guarantees all its citizens freedom, respect of person, and prosperity and self-government for social groups, pluralism, freeplay of political forces.

The cited program, popularized at one time by Radio Free Europe (a representative voice for some young people) reflects well the state of mind and situation of a portion of the academic community. The presented views come from a different age, the Cold War, and have their source in the West.

d) Groups of students are connected with the Roman Catholic Church through the ministry of the academic community. The proffered forms of action range from excursions, pilgrimages to the distribution of aid to married students. Characteristically, they extend beyond the terrain of the church. Dormitories and institutions become an arena for action. It gradually loses its confessional character and takes on that of organized political action. The broadly conceived cultural and educational (let us say) activity aims to win the young intelligentsia for the Church, to make them propagators of the Christian idea. Along the way a confrontation with the secular, marxist approach to socio-political subjects taught at the institutions appears. A parallel cycle of lectures on philosophy, history, and ethics is organized. For a significant portion of the students, seeking a life style and philosophy, it is frequently the only sufficiently attractive proposal because secular ideals are ineffectively disseminated.

2. The academic political groups have fought among themselves for the support and minds of the students during recent years. The political action of the opposition aimed and aims to take over influence and direct the self-government and scholarly groups. One must wonder how such unwanted goods can be sold in new packaging among people so attuned to the search for truth. This program is actually political. One hears openly that until December 1981 the NZS deceived the academic community and that it was only a tactic. The popularity of this type of program derives from academic ignorance of the goals and tasks that the creators of these groups espouse. Mimicking independence symbolism, they attempt to influence the academic community. We should openly admit, what the active NZS supporters state without hesitation that success in these activities assumes confrontation on many fronts.

To bring one issue to its logical conclusion, one goal, weakening in the underground to be sure, assumes combating organizations, especially the ZSP and ZSMP, as "reactionary annexes of the totalitarian authorities," that serve to promote their policies. The goal also assumes, as the opposition writes, the use of active defense if necessary.

Group solidarity, the common interests of students, no longer counts. Decoding the phrase active defense no longer has any sense, although it might be educational and enlightening. If programs of this type still gain support among students, then they must be disoriented ideologically and politically, and the educational system must function poorly. The political situation among students must be discussed openly. It is surprising that studies (Footnote 12) (The Effectiveness of Socio-political Subjects. A Report on a Poll Conducted in April and May 1984, edited by L. Garlicki and Z. Ostrowski, typescript OBS ZSP) show that nearly 80 percent of the students have not encountered recent Polish history during their socio-political courses. Characteristically, the opposition program never mentions students

interests here and now. Instead it points to a future that has repeatedly turned out bankrupt.

3. This evaluation of the political situation among students and description of student political and organizational structures suggests these conclusions and tasks for the ZSP.

a) Strengthening the influence of the association and activating the whole academic community is possible if the rich experience of the association is put into daily practice in the organization's activities. A broad program and an open worldview coupled with a clearly defined political program can create the opportunity to activate ever more students and enable them to realize themselves. Increasing the students' control of their lives is an essential condition for implementing this program. All of the ZSP's activities should serve this goal.

b) The effectiveness of these activities and the position of the ZSP depend on commitment to socialist reform, on how the ZSP helps put the socialist idea into practice at each institution, on how it develops the idea and monitors it. Declaring itself for socialism, as history shows, is the only lasting future for the student movement, it makes possible work for social progress and progressive political programs. The relations of student organizations with the party have always had tremendous influence on the effectiveness of their commitment. This remains so today.

c) Using students' natural critical attitude toward existing society is one of the organization's obligations. Listening carefully to what students are saying is a condition for students to gain control. It is also an initial condition for engaging students in the implementation of the organization's program and for influencing their attitudes and behavior. This will give birth to the conviction that only a positive program has a chance to change anything and most malcontents and reviewers of random action. This approach produces the pragmatism of the ZSP program, work at the basic level, that will lead it to regain prestige among university students.

d) The ZSP's obligation is to initiate action by socialist student organizations among students and youth and to strengthen the socialist student and youth organizations. Realistic cooperation will reinforce the progress that has already been made in implementing socialist renewal.

e) The discarding of the false, apolitical thesis at the 12th Congress of the ZSP, because of students needs is also the essential precondition for actively shaping the attitudes and behavior of its members and thus the whole academic community. Reformulating more unambiguously the organization's positions only on paper, as some have claimed, is not the point. Rather, at each institution, in each community, a realistic evaluation of the barriers and threats to the development of the organization should be made and effective program for surmounting them adopted. This approach means fighting for one's own political identity in the community, requiring full implementation of the resolutions of the association's 12th congress. The politically maturing aktiv of the ZSP is even more conscious of the tasks the association has to

perform in the current political situation at the higher institutions. The lines of political division are becoming increasingly visible, even in this community where everything is not fully articulated, as are the social and political consequences of these processes.

III. Practically, this approach denotes a return to some well developed and test methods of self-government for the student community: the elected student representatives for academic affairs and the distribution of emphases in student organizations activities. History teaches that self-government structures will endure longest that are tightly joined to organizations. The experience of the last 35 years shows the association is an absolutely essential element of self-government at higher institutions. The self-government principles of organizations have not only been a school of democracy but have helped expand the influence of the organizations. The politicizing of the activities of self-governments connected with the crisis of student organizations at the beginning of the 1980's led to the avoidance of educational and social issues. They must be central among the interests of self-government today. We should not forget that in 1959 the ZSP initiated a broad discussion of self-government among the students. How should students unite to strengthen their voice on issues important to them and the country? In the present, divided student community the ZSP continues this discussion.

The results of the ZSP's activities so far cannot satisfy its aktiv. The association stands before a new academic year which will show whether the program developed at the 12th Congress will be implemented. There are many reasons and facts that show that it is possible. The revision of the statute has unambiguously strengthened the position of the organization in the educational work of higher institutions and made possible creating self-governments capable of performing their statutory functions. The revision was supported by the entire ZSP at its 12th Congress. During the last phase marked by demonstrations and university senate meetings, the ZSP Higher Schools' Councils actively defended the position adopted by their congress.

Active participation in the transformation of the higher institutions, modernizing education, and raising educational standards are the most important actions of the association in shaping the attitudes of the Polish intelligentsia and a practical response to society's expectations and needs.

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POLITICS

POLAND

APPEARANCE OF WARSAW'S VICTORY SQUARE CRITICIZED

Warsaw ITD in Polish 1 Sep 85 p 2

[Article by Pawel Wojcik]

[Text] Between 1894-1912, the czarist authorities built a huge Byzantine Orthodox church with a 70-meter bell tower on Saski Square (presently Victory Square). This church was one of the elements of forced Russification and in time, it became a symbol for Warsaw residents of czarist oppression and the lack of the existence of an independent state.

After independence was regained, the church-symbol was dismantled and the sandstone slabs of the church were laid down on the surface of the square so that the people of Warsaw would step on its remnants.

The intention of the City Council was obvious: we should treat the surface of Victory Square as a symbol.

Unfortunately, our attitude toward this reminder cries for revenge. At first, someone had an idea and during the mid-70's an industrial exhibit of Warsaw was organized on the square. There would be nothing wrong with this if it were not for the fact that heavy construction machinery manufactured at the Warynski Plants was placed on the square. The steel chain belts of excavating machines crushed many of the delicate sandstone slabs at that time.

In 1982, repairs to the surface were begun. When a part of the square was uncovered recently, what appeared before our eyes was an even and drab colored coat of concrete. This is when I started to have misgivings whether the commemorative, historical slabs will return to their place. Currently, there are only approximately 300 of them left, arranged on one of the paths connecting the Tomb of the Unknown Soldier with the fountain in the Saski Garden.

I would like to ask the city authorities whether the historical slabs will return to their place and whether they are protected by the law which applies to historical monuments and relics in Poland?

If the answer to these questions is negative, then the last question is: Why not?

POLITICS

POLAND

LEFTIST INTELLECTUALS REBUKED

Warsaw ITD in Polish 1 Sep 85 p 2

[Article by Piotr Gadzinowski]

[Text] Things are awirl. This time, it's in the capital in the columns of the contemporary weekly ARGUMENTY. Its columnist, "WIR", is commenting on the interview given by Tadeusz Holuj to POLITYKA. The interview dealt with the literary and intellectual Left. When it comes to the 'left', it is possible to talk about it extensively and for long without emotion in our country until the moment that it is necessary to start naming the names of leftists and finally, something which is done very rarely, their intellectual accomplishments.

"WIR" prepared a short list of this kind by placing on it several leftist veterans as well as Jerzy Adamski and Andrzej Wasilewski who, as he described, "have the daring to admit outright that they are leftists." This agitation caused by the columnist shocked me. Both intellectuals deserve praise but I did not expect this kind. Both of them belong to the most leftist of all the existing political parties and, among other things, upon the recommendation of this party fulfill various praiseworthy functions and hold honorable positions. Thus, their "outright admission to leftism," is in this situation not an act of daring but rather simple intellectual honesty. "Alexander the Great is a hero but why break chairs?" So say our leftist neighbors.

A question remains: Why is it that so many who belong to this most leftist of the active parties and frequently who hold honorable posts upon this party's recommendation, do not display that simple honesty?

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POLITICS

POLAND

OPZZ INVITES WFTU LEADERSHIP FOR VISIT

Warsaw ZYCIE WARSZAWY in Polish 3 Sep 85 p 2

[Text] An official delegation of the World Federation of Trade Unions [WFTU] headed by the secretary general of WFTU, Ibrahim Zacharia, paid a visit to Poland at the invitation of the OPZZ [Polish National Understanding of Trade Unions].

During talks with the OPZZ delegation headed by Alfred Miodowicz, information was exchanged about WFTU activity and about the Polish trade union movement. In addition, views on the subject of the current problems of the international trade union movement and of the world situation were exchanged.

Ibrahim Zacharia familiarized the hosts with the preparations for the upcoming 37th session of the General Council and the 34th session of the WFTU Bureau as well as with the next year's 11th World Congress of Trade Unions. He also informed about the solidarity initiatives of the WFTU on behalf of union members of particular regions and continents.

Both sides expressed satisfaction with the fact that the trade unions of the Polish People's Republic have returned to the world federation and to international branch unions.

The desire for close cooperation in the name of unified activity of the international union movement was expressed. This particularly concerns the solving of the most vital socioeconomic problems for working people worldwide and the struggle for peace and disarmament. It was agreed that the implementation of these tasks should constitute a common plane for the constructive dialogue of union members regardless of their affiliation and orientation.

The delegation confirmed unanimously the position of the WFTU and of the OPZZ toward the most important international problems. They stressed the importance of the peace initiatives of the USSR and of other socialist countries.

The secretary general of the WFTU, Ibrahim Zacharia, was received by the members of the PZPR Central Committee leadership and placed a wreath on the Tomb of the Unknown Soldier. He participated in the meeting of the Warsaw union aktiv and in a press conference and also visited the Children's Health Center.

POLITICS

POLAND

PROVINCIAL PZPR PLENUM IN BYDGOSZCZ

Warsaw RZECZPOSPOLITA in Polish 5 Sep 85 p 2

[Text] The Provincial PZPR Committee deliberated at a plenum session in Bydgoszcz on the 4th of this month. The subject of the analysis was the socioeconomic situation in the region and the tasks issuing from it for party echelons and organizations as well as for PZPR members with particular consideration given to the Sejm elections campaign. Party members acting in PRON [Patriotic Movement for National Rebirth] regional and institutional elements as well as regional secretaries of party organization were also invited to take part in the deliberations.

It was confirmed that the process of the socialist renewal of political and socioeconomic life in the region has already acquired a distinct and irreversible shape.

It was stressed in the discussion that "in the elections campaign to the Sejm, particularly important tasks rest with party echelons and organizations and with all party members." This was confirmed by consultative meetings with candidates for delegates [posel]. They [meetings] had a civic and responsible character and demonstrated that constant party contact with various spheres of society can give the best sense of orientation in problems which pervade communities and in matters of importance for society in general and by the same, can give a sense of direction to activity undertaken by the party.

The plenum passed a resolution which defines the tasks of party members in the regions of Pomerania and Kujawy before the approaching Sejm elections.

The plenum granted recommendations to candidates for delegates and to PZPR members and supported the candidacies of nonparty delegates. In accordance with the electoral law, the final decisions in the matter of establishing lists of delegate candidates in the particular electoral districts, will be made by the provincial elections conventions.

General of Arms Jozef Baryla who is also a PZPR Central Committee member, vice minister of national defense and head of GZP WP [Chief Political Directorate, Polish Army], was present at the session.

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BRIEFS

CHURCH CONSTRUCTION VS PUBLIC SERVICES--The state authorities allow various forms of manifesting religious feelings which are banned even in many Catholic countries around the world. Such policy practiced by the authorities is sometimes met with protests; at times these are falsehearted protests. It is said, for example, that a church is being built even though a day care center or nursery school is needed. I would like to remind about the fact that priests do not have a monopoly over stimulating the activity of the local community. Who is preventing anyone from building a day care center with community efforts from the funds of the local population? [By Adam Lopatka, minister and director of the Office of Religious Affairs] [Excerpts] [Warsaw PRZEGLAD TYGODNIOWY in Polish No 33, 18 Aug 85 p 3] 9853/12781

MEDIA STYLE CRITICIZED--Let us take into consideration our propaganda; the entire system of the mass media. How often it "treats" society as a uniform mass in matters of awareness and opinion on various issues. After all, these are people who have 40 years of experience in People's Poland (Polska Ludowa) behind them; who have a definite "accumulation" of education, culture, social knowledge, etc. For them, the only source of truth cannot, for example, be the TV newscast. If we were to refer to scientific theories of mass influence (I am also involved with this problem professionally), then we would see that all studies confirm the thesis that only through the presentation of various stands, outlooks and opinions can an effect be achieved sooner. What we are lacking is, for example, polemics and public dialogue; we are losers because of our ineptness in listening to what the other person has to say and in taking into consideration the arguments of various partners. The monologue and "mouthing off" are still dominant. On the other hand, we forget that skepticism arising from reoccurring crises has made Poles impervious to monologues. [Text] [Warsaw PRZEGLAD TYGODNIOWY in Polish No 33, 18 Aug 85 p 3] 9853/12781

SEJM DELEGATES CONTACT WITH VOTERS--If the Sejm delegates do not have genuine contact with various groups within the election precinct (okreg wyborczy), then they conform indiscriminately to the decisions of the authorities of delegate clubs. Unfortunately, this is a wrong phenomenon. Sejm delegates should also, within their means, influence through delegate clubs the position of party echelons. After all, if a delegate really fulfills his mandate well and has contact with community social groups, then he may have a better understanding of social trends than executive party echelons. [Text] [Warsaw PRZEGLAD TYGODNIOWY in Polish No 33, 18 Aug 85 p 3] 9853/12781

POLITICS AND CULTURE--(...)There is a certain paradox between creativity and politics; between creators and politicians. This is where tension exists. (...) The servitude of literature understood too literally with regard to political programs has usually led to artistic and creative disaster. And it always turned out that this was not for the good of the political movement. Self-limiting creativity which succumbs totally to politics would cease effectively supporting the movement which it wanted to serve. [By Marian Stepien, professor at the Jagiellonian University] [Excerpts] [Warsaw PRZEGLAD TYGODNIOWY in Polish No 33,18 Aug 85 p 3] 9853/12781

QUALIFICATION OF "AUTHORITIES" QUESTIONED--A sad method of manipulating scholars is the so-called building up of prestige. After all, it is up to the person in charge whether a book will be published in 3,000 or 30,000 copies or whether it will be published at all and also whether we will be watching on our TV screens professor X or professor Y as an expert in some field. After all, only a few viewers can detect which one of them is really better in his field (...) The awarding of bonuses to those who are mediocre already belongs to phenomena of social pathology. It is obvious that it is easiest to manipulate those who owe their titles and positions not so much to knowledge as to nonscholarly activity. Unfortunately, it does occur that poor scholars receive not only titles but are also given high administrative functions which enable them to oversee research work. This is when the harm is significant. [By Marek Mlicki, doctor of sociology] [Excerpts] [Warsaw PRZEGLAD TYGODNIOWY in Polish No 32,11 Aug 85 p 3] 9853/12781

TODAY'S WORKERS LACK ENTHUSIASM--(...) I have a special feeling for those who participated in rebuilding Poland. These were authentic heroes. I would openly kiss the hands of the old water supply system skilled worker or the power plant foreman for their unbounded devotion to their work. The concept of, "hero", "enthusiasm", "Warsaw pace" became absurd when the slogan "a Pole can" failed to make the grade. The people of that other time really could. Today, all of this sounds like platitudes, stereotypes and cliches. The youth of today does not want to listen to this and often does not believe that at one time everybody worked with enthusiasm. [By Tadeusz Makarczynski, film director] [Text] [Warsaw PRZEGLAD TYGODNIOWY in Polish No 32,11 Aug 85 p 3] 9853/12781

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SCIENCE AND TECHNOLOGY

POLAND

PZPR COUNTS ON POLITICAL SUPPORT OF S & T ASSOCIATIONS

Warsaw NOWE DROGI in Polish No 10, Oct 85 pp 160-164

[Article by Jacek Raciborski: "Non-professional Scientific and Technical Movement in Poland"]

[Excerpts] In popular opinion the development of science depends on professional research institutions such as the institute of PAN [Polish Academy of Sciences], higher institutions, and state institutes. They surely are the basic organizations responsible for research and training. But the picture of Polish science would be incomplete if we ignored the role of scholarly societies. There are 193 of them in Poland: 34 general societies (regional societies, institutes, and research centers), 94 specialized or interdisciplinary societies, 45 medical societies, and 20 technical associations in the Chief Technical Organization. The largest are those in the Chief Technical Organization (400,000 members). (Footnote 1) (All data in the text are from the report: Scientific Societies in Poland: Conditions, Tasks, Activities prepared by the Council of the Scientific Societies and the Bureau for Community Activities of PAN). The figures themselves show the community scholarly effort is important, not only in the quantitative sense, but that is not what determines its importance for the country.

The character, form, and goals of their activities vary. The regional societies in academic cities (among which are the Gdansk Scientific Society, Poznan Society of Friends of Science, Lublin Scientific Society, Lodz Scientific Societies, and the Wroclaw Scientific Society) associate scholars in the given region and study problems in many disciplines, usually those closely connected with their given region. Regionalism here is not provincialism. The Study "Poland at Sea 2000" done by the Gdansk Scientific Society as part of the "Poland 2000" report certainly does not have any such traits. Many other regional societies that have no professional personnel mostly associate so-called lovers of science and concentrate on popularizing scientific achievements and study their regions. Frequently, they play important roles in creating culture and forming opinions; they integrate the creative people living in the given region. These societies also publish their members works. This is especially true of those in academic cities, but many valuable monographs about cities and regions would not have been written without the inspiration or organizational and substantive help of the local scientific societies.

A more general evaluation of the importance of the non-professional scientific movement must include the state of all of Polish science, and the Third Congress of Polish Science will offer an excellent occasion. Without anticipating the Congress's evaluation, current evaluations are ambivalent, Polish science has been criticized for a visible lack of technical invention, innovativeness in the economy, social awareness, and failure to discover effective methods for controlling the state and economy. The critics have forgotten that investment in research has systematically declined in Poland in recent years and have reached the lowest level among the socialist countries. They also forget that the path from conception to production can be long, and shortening it depends only to a minor degree on scientists. Regardless of the many objective weaknesses of science and public disillusionment with its achievements, substantial, socio-economic progress and halting the deepening of the technical gap between Poland and the developed countries of East and West depends to a great degree on science. The role of the non-professional scientific movement is not central, but it is also not marginal. It cannot undertake research that requires expensive, complicated instruments, but it would suffice if it performed the roles mentioned earlier. Moreover, the scientific societies can create a hard-to-define climate that would encourage scientific to solve the country's critical, practical problems and give them the desire to cooperate with all the political forces attempting to solve these problems.

The party is counting on the non-professional scientific movement to perform this role. The Politburo of the PZPR Central Committee state at its meeting on 17 May 1983 that the societies' activities should contribute to national consensus and integration on the country's most important social and economic problems. These expectations were generalized and developed in the resolutions of the 19th Plenum of the PZPR Central Committee, which dealt with the intelligentsia's role in a socialist society as a whole. These expectations are accompanied by decisions to increase systematically investment in science in the coming years, to create goal funds to finance putting scientific discoveries into practice and to pay for essential imports of instruments, books, and journals. In this context, the prospects for developing the non-professional movement also appear more optimistic. The state's concern for its quality was expressed by the meetings of the Commission on Scientific Personnel of the Council of State in November 1984 and April 1985 during which several concrete recommendations were addressed to the state administration, national councils, the Polish Academy of Sciences on the creation of favorable conditions for the movement's activities. A number of issues require regulation. Among them are the legal status of scientific societies; coordination of their activities; method of financing them, their cooperation with national council and socio-cultural societies, publishing activities, international cooperation, etc. Certainly the Third Congress of Polish Science will deal with many of these issues, and it will offer the societies a special opportunity to present their accomplishments and expectations to the administrative structures responsible for directing the development of science and technology in Poland.

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